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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 2000

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

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Oversight Hearing
U.S. Forest Service--Fee Generation

DEPARTMENT OF INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 2000

Wednesday, February 10, 1999.

FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE

WITNESSES

BARRY T. HILL, SOCIATE DIRECTOR, GENERAL ACCOUNTING OFFICE
CHARLIE COTTON, ASSISTANT DIRECTOR, GENERAL ACCOUNTING OFFICE

Mr. Regula [presiding]. I need to get this hearing started.
We are happy to welcome John Peterson as a new member of the
committee, a gentleman from Pennsylvania.

Mr. Dicks. Maurice Hinchey----

Mr. Regula. Yes, I know. I am just getting the wheels
turning here. [Laughter.]

Mr. Hinchey. Thank you, Ralph.

Mr. Regula. I am meeting with the steelworkers.

Okay. This is an oversight hearing. Today we have the GAO
and the Forest Service. Well, it's an exciting subcommittee
with a broad scope of programs. But, our responsibility is to
provide oversight for the agencies we fund. This year, we have
scheduled four specific program oversight hearings in addition
to the many budget hearings we will have with the three
Secretaries and individual agency leaders.

Today, we will examine the Forest Service and its programs
which provide land uses and revenue and we are happy, Mr.
Dicks, to have you as our new ranking member. This is your
bailiwick.

Mr. Dicks. That's right and----

Mr. Regula. And our salvation on Forest programs.
[Laughter.]

Mr. Dicks. Either that or we have gotten ourselves in a lot
of trouble. One or the other. [Laughter.]

Mr. Dicks. But, I am glad to be here with you, Mr.
Chairman, and we will work together on these issues.

Mr. Regula. And we will examine the recreation fee
demonstration program as we go along in the oversight hearings.

Opening Remarks of Chairman

The Forest Service is responsible for a huge portion of our
lands--9 percent of the Nation, 192 million acres, 900 million
visitors, far more than other Federal lands. We will focus on

the revenue generation programs other than the traditional commodity activities, such as timber, minerals and grazing. We will focus on land use fees and cost recovery for permitting.

I would like to ask the members to focus on these issues. We will have ample time during future hearings to deal with pressing policy issues of timber supply, roads and forest planning. The preoccupation with timber policy has led us, as well as the Forest Service, to neglect good, common sense oversight and business-like approaches.

The GAO has reported that the lack of priority given to land use management by the Forest Service has resulted in a loss of revenue of about \$50 million per year. And I think we have a responsibility to oversee that problem. We need to be able to assure the American public they are getting fair value for the land that they own.

The Forest Service has 74,000 permits for 130 different categories of land use. Sixty percent of the Nation's skiing is done at resorts on Forest Service lands--Good morning, Mr. Cramer.

Mr. Cramer. Good morning.

Mr. Regula. Two hundred hydro-power facilities on these lands provide power worth perhaps \$4 billion each year. Utility and pipeline rights-of-way, communications sites, and developed recreation are also multi-billion dollar industries. During this hearing, we will take a closer look at how these programs are being implemented.

The bottom line is that both the Forest Service and the Congress have neglected opportunities in this area. The Forest Service alone has an infrastructure backlog of as much as \$10 billion and great needs for forest and riparian management and restoration. The committee should evaluate land uses as a potential area to enhance revenue streams.

The GAO points out that until and unless adequate performance measures are in place and are used in serious accountability efforts, it is unlikely that the Forest Service will perform.

The Forest Service complains about funding shortfalls for their programs, yet the administration has not shown an interest in these programs. Interestingly enough, during each of the past three fiscal years, the Congress has increased the appropriation above the President's request.

The Forest Service also explains that appraisals and good land use management have not been a priority for them. We want to know why not. I urge the members to listen carefully and inquire about management of these lands. One hundred and ninety-two million acres. That's a lot of responsibility and I think we, as a committee, have to question whether we are getting good management and that the taxpayer is getting a fair return on his investment in these lands.

It's amazing the diversity of activity of the Forest Service. It has triple the visitor days of the Park Service and 74,000 permits. I was startled myself to see the number and breadth of activities. There are a couple of hundred hydro-electric plants. I think in the area of communications--and, Mr. Dicks, this is one of real interest to you--the pressure will be on more and more for using Forest Service facilities for towers, for land use rights-of-way, and so I think it's

important that we try to get ahead of the curve on that one.

Our first witness this morning will be the GAO which has taken an oversight look at some of the things outlined in my statement.

Mr. Dicks, excuse me. Would you like to make any comments here?

Mr. Dicks. No, Mr. Chairman, except that I strongly support your efforts to have oversight hearings here. I think that, as we have seen the decline of timber receipts, that our ability to collect adequate fees for other services is something that this committee should look at. Certainly we are going to be questioned about that by our colleagues and I applaud this oversight hearing. I think it's overdue and I also do believe, based on my investigations here, that probably there may be some need for legislative remedies in order to give the Forest Service the authority to do what I think the committee is-- after hearing this--going to want to try to move towards. So, again, I applaud these hearings and we look forward to hearing the witnesses and, especially, the GAO initially here.

Mr. Regula. Yes, our first witness will be Mr. Hill, the Associate Director of the GAO, and we would hope that you can stay after you are finished to listen to the Forest Service's-- I hesitate to use the word--rebuttal, but--observations.

Mr. Hill. We would be more than happy to, Mr. Chairman.

Mr. Regula. Okay. Thank you.

Mr. Hill. Before I begin, allow me to introduce my colleague. With me today is Charlie Cotton who is responsible for pulling together our prior and ongoing work for this hearing. And, if I may, I would like to briefly summarize our prepared statement and submit the full text for the record.

Mr. Regula. Without objection.

Oral Statement of GAO

Mr. Hill. As agreed, our testimony today focuses primarily on opportunities to generate revenues from special uses on the national forests. These uses include resort lodges, marinas, guide services, private recreational cabins, special group events and rights-of-way. As noted in our prepared statement, increasingly legislative and administrative decisions and judicial interpretations of statutory requirements have required the Forest Service to shift its emphasis from uses that generate revenue to those that do not.

In addition, the agency is required by law to continue providing certain goods and services at less than fair market value. However, when the Congress has provided the Forest Service with the authority to obtain fair market value for certain uses or to recover costs for services, the agency often has not done so. As a result, the Forest Service forgoes at least \$50 million in revenue annually, as you pointed out in your opening remarks.

For example, the Forest Service does not obtain fair market fees for commercial activities on the national forests, including resort lodges, marinas, and guide services. The agency also does not obtain fair market fees for non-commercial uses, such as private recreational cabins and special group events that require a special-use permit, nor does it recover

the costs of reviewing and processing applications for these permits. In addition, the Forest Service does not charge fair market value for rights-of-way for oil and gas pipelines, power lines, and communication lines on its lands.

Our work has shown that the Forest Service does not always obtain fair market value or recover costs when it is authorized to do so because generating revenue is just not a priority for the agency. For instance, according to Forest Service officials, the agency is evaluating whether to issue regulations to allow forest managers to charge fees to recover their costs to review and process special-use permit applications. However, the agency has been authorized by the Congress to recover these costs since 1952 and has twice, in the past 12 years, developed but not finalized draft regulations to implement this authority. According to Forest Service Headquarters officials, both times staff assigned to develop and publish these regulations were reassigned to other higher-priority tasks.

Mr. Regula. You are saying they have statutory authority--
--

Mr. Hill. Correct.

Mr. Regula [continuing]. Now.

Mr. Hill. They have had it since 1952.

Mr. Regula. But they have not exercised it.

Mr. Hill. That's correct.

As a result of this, the agency estimates that it forgoes \$5 to \$7 million each year.

The key to the Forest Service's obtaining fair market value for goods and recovering costs for services is holding the agency accountable for its performance. For example, since 1982, we have criticized the Forest Service for not obtaining fair market value for special use fees. The agency has not, however, provided the strong leadership and the Congress has not provided the sustained oversight needed to ensure that the agency maximizes revenues under existing legislative authorities.

An option for increasing revenue for special uses of the national forests would be to give the Forest Service a financial incentive to do so. One incentive would be to allow the agency to retain and spend the revenue generated to address its unmet needs. For example, from the end of World War II through the late 1980's, the Forest Service emphasized timber production on national forests in part because a substantial portion of the receipts from timber sales are distributed into a number of funds and accounts that the agency uses to finance various activities on a sale area. Even now, many forest managers have the opportunity to increase their budgets by increasing timber sales.

Similarly, the Recreation Fee Demonstration Program, first authorized by the Congress in Fiscal Year 1996, allows the Forest Service to test new or increased fees at up to 100 sites and to retain the revenue to help address unmet needs for visitor services, repairs and maintenance, and resource management.

By allowing the agency to retain the fees collected, the Congress created a very strong incentive for forest managers to emphasize fee collections. Gross revenues from recreational fees on the national forests increased from \$10 million in

1996--prior to the program--to over \$26 million in Fiscal Year 1998. That's an increase of 163 percent.

The administration plans to forward legislative proposals to the Congress and the Forest Service is considering other legislative changes that would allow the agency to collect, retain, and spend more special-use fee revenues.

However, allowing forest managers to retain and spend all or a portion of the revenue they collect involves some risks and some difficult tradeoffs. In particular, the Forest Service is still far from achieving financial and performance accountability and, consequently, cannot accurately account for how it spends its money and what it accomplishes with it.

Allowing the agency to collect, retain, and spend more of the revenues they generate also requires difficult tradeoffs or policy choices between increasing revenue and other values and concerns, such as providing free access to public lands, promoting the economic stability of historic commodity use, and setting aside additional lands for resource protection and conservation.

Therefore, if the Congress believes that increasing revenue from the sale or use of natural resources should be a mission priority for the Forest Service it will need to work with the agency to identify legislative and other changes that are needed to clarify and modify the Congress' intent and expectations for revenue generation relative to ecological, social, and other values and concerns.

Mr. Chairman, this concludes our prepared statement and we would be pleased to answer any questions that you or other members of the subcommittee may have.

[The statement of Mr. Hill follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. I have just one question. You said retain revenue. Would that be by agency or by Forest? You know, in the case of the parks, they get to keep the revenue in the particular park that generates it and I think I heard you say that you suggest possibly retaining revenue from all these myriad of activities in the agency for furthering their responsibilities.

Mr. Hill. It could be set up a number of different ways. Under the current demonstration program, the agency is required to retain 80 percent of the fees that they generate at the site that they are generated----

Mr. Regula. That's in recreation----

Mr. Hill. Correct.

Mr. Regula [continuing]. On the concessionaires and that type of thing--skis, areas and so on. Would you do it by agency or still do it by facility?

Mr. Hill. Well, we are not recommending anything. I am saying there are lots of options you could consider. Right now, the fees that are collected go to the Treasury. If you were to send those fees to the agency as a whole, there might not be as strong an incentive for the individual sites to be collecting those revenues. The strongest incentive, obviously, would be to have those fees stay at the sites where they are collected. But, the Forest Service has a lot of units that it needs to

make sure are up and running properly. I think you have got to look at which individual sites would be generating what revenues and you don't want to create a situation where you are going to have ``have'' and ``have-not'' sites--where the heavily visited sites would be collecting all the revenues and those that aren't wouldn't.

Mr. Regula. Mr. Dicks.

Mr. Dicks. Thank you, Mr. Chairman.

LOST REVENUE

You testified that the Forest Service forgoes at least \$50 million in revenue annually but it does not obtain fair market value for certain uses. Can you tell us the approximate breakdown of this \$50 million?

Mr. Cotton. Yes, I can. Again, the first thing that I would need to stress is the \$50 million is an extremely conservative----

Mr. Dicks. Right.

Mr. Cotton [continuing]. Estimate. Just to give you an example, what we added in that \$50 million was about \$25 million from commercial and non-commercial recreational activities. Everything from the resorts to the recreational residences. That alone could be up to \$148 million if you took percentages within comparable State lines.

Another \$11 million came from having oral bids versus sealed bids at single-bidder sales. But, we found----

Mr. Dicks. Why did they do that? I mean, that was \$56 million, right?

Mr. Cotton. That was roughly \$11 million a year; yes, sir. I don't know. When you only have one person sitting there and they are not bidding against anybody, it would seem to make sense that you would have a sealed bid as opposed to an oral bid.

Mr. Dicks. Would the sealed bid be submitted earlier----

Mr. Cotton. Yes.

Mr. Dicks [continuing]. Then--so----

Mr. Cotton. And in your----

Mr. Dicks [continuing]. They don't know if the competition is going to show up----

Mr. Cotton. That's right.

Mr. Dicks. So if you allow this then--what is the Forest Service's excuse for this?

Mr. Cotton. You will have to ask the Forest Service.

Mr. Dicks. Well, we will.

Mr. Cotton. Recovering special-use permit costs--the authority that they have had since 1952--and I have always wanted to point this out: when they got this authority, I was 6 years old. I am two years from retirement and they still haven't issued the regulations. We estimate--they estimate roughly \$5 to \$7 million a year. We estimate roughly \$13 million a year.

As to the linear rights-of-way, right now they are charging as little as 10 percent of fair market value. And, again, this is separate from the commercial towers and sites. We estimate there are foregone revenue of about \$20 million a year.

Mr. Dicks. And in all these cases, you are saying the

States do it differently and get fair or something close to fair market value?

Mr. Cotton. To give you an example of the commercial and non-commercial recreational activities, the Forest Service collects about 3 percent of gross revenues. The States that these forests are in collect between 5 and 15 percent. Therefore, that's why you get the range of \$25 to \$148 million that they could collect if they collected percentages equal to the States.

FEES FROM SKI AREAS

Mr. Dicks. Now, you mentioned the ski areas are the second largest revenue source for the Forest Service behind timber sales.

Mr. Cotton. Right.

Mr. Dicks. You also state that the new ski revenue procedures passed into law in 1996 do not ensure that fees collected from ski areas reflect fair market value.

Mr. Cotton. Right.

Mr. Dicks. Please explain how the new fee system works and how it will be changed as the new law is fully implemented.

Mr. Cotton. Well, the new system was developed based upon the Congress' concern that they weren't collecting anything approaching fair market value. When it was developed there was a proposal by industry. At the time when industry presented this back in 1993 for the first time, we pointed out that the total fees under the new system are comparable to the total fees under the old system that hadn't been updated for 20 years.

And so, the new system--because the old system didn't reflect fair market value, the new system that was put into law--although it does increase the fees for certain ski areas--in total it does not reflect fair market value for ski areas.

Mr. Dicks. Can you give a--this is my last one, Mr. Chairman--rough guess what revenue would result if the ski areas were charged a full and fair market value?

Mr. Cotton. That's one I didn't write down. I couldn't do that, no.

Mr. Dicks. Can you do it for the record?

Mr. Cotton. I think we had a estimate in that report and I will provide it with answers to questions for the record.

Mr. Dicks. Thank you.

Mr. Regula. Mr. Taylor.

TIMBER REVENUE

Mr. Taylor. You state that Congress has provided the Forest Service with the authority to obtain fair market value and for certain uses and your quote is, ``such as timber.'' Can you tell us how they failed to provide fair market value for timber?

Mr. Hill. I think the issue there is what they do with the receipts they receive from timber sales. In terms of---

Mr. Taylor. That's not the question. I mean, the question is how did they--the timber is sold on a bid basis and the Forest Service has the right to reject a bid and the Forest

Service put together the bid on the basis of comparable sales as much as possible. Now, given that system, how did they fail to provide fair market value for the timber they sell?

Mr. Cotton. Mr. Taylor, that is not under the examples that we have as far as failure to obtain fair market value.

Mr. Taylor. I see here--do you have page 1?

Mr. Cotton. Yes.

Mr. Taylor. It says, ``Moreover, when the Congress has provided the Forest Service with the authority to obtain fair market value for certain uses, such as timber'' and then you go on to resort lodges, and so forth, and I was just taking you personally. Am I reading that incorrectly? I need glasses and I haven't been able to get them--[Laughter.]

TIMBER BIDDING PROCESS

Mr. Cotton. No, the example that we were using there was the example that Mr. Dicks asked about as far as using oral bids versus sealed bids on single-bidder sales.

Mr. Taylor. That results----

Mr. Cotton. You have given them the authority.

Mr. Taylor. I know but how are they not obtaining fair market value----

Mr. Hill. What we are saying is the bids----

Mr. Taylor [continuing]. Or oral or----

Mr. Hill. The bidding process they are using is not resulting in a bid as competitive as they could be getting if they were using sealed bids. The bidders that are coming to the table are basically the only ones at the table in some cases so they are giving an oral bid and there is no one else in the room. The bid they may be giving may not really reflect what the true value of that timber was if they felt there was going to be another competitor at the table bidding along side him or her.

Mr. Taylor. Well, that isn't my understanding in years of watching the Forest Service in the southeastern regions with their bids. I mean, you have a bid and it's the highest bidder that comes in. Now, they have to provide bond and reliable and that sort of thing but most of the people that bid are----

Mr. Hill. Can I give you an analogy? It's as if you were selling a car--a used car--and you decided you had to sell it by the afternoon. At 3 o'clock in the afternoon I am going to sell my car and only one person shows up and he looks around the room and says, I am the only one here, I will give you \$500 for it, as opposed to saying I have a used car and the Blue Book value may be \$2500 and I am going to sell it to the highest bid that I receive as of 3 o'clock and give me your bid in a sealed envelope.

Mr. Taylor. Well, that isn't how--what you are describing isn't the way most Forest Service sales go on but I will yield to the Forest Service on that.

I would say you have missed the point on this. Wouldn't you say that, given the fact that this administration--modern silviculture is a joke played on the public as far as what the State forest does or the private forests do to attain the greatest price.

For instance, the great effort of this administration to go

for political correctness rather than--and trying to placate special interest groups--practicing modern silviculture, that's really at the heart of the laws.

For instance, the State--our State--and I am familiar with other States--they use the best forest skills of the universities and the forest rangers that would be involved and they have public bids, just like the Forest Service does. But when they go into a tract, they don't say, we are not going to cut any old-growth, we are not going to do this, we are not going to do all these things that are contrary to modern forest silviculture and you try to sell two trees here and one there and you try to get a bid for that and nobody wants to do it because it's not economical. And that probably is more what's hurting the Forest Service sales but I see nothing in their procedure that causes them to lose money but I will yield to the Forest Service to come forth to that. Thank you, Mr. Chairman.

Mr. Cotton. Mr. Taylor, if I could add, you make two good points. If these lands were being managed for timber and using the science of silviculture, they would do things differently than they are doing now in managing these lands under the science of conservation biology or landscape ecology.

Mr. Taylor. In that I will agree with you 100 percent.

Mr. Cotton. The \$11 million is our point, where they could have generated more revenue, but they didn't because they did not use the sealed bids.

Mr. Regula. Let me say it's the intent of the Chair that we will have a round of questions. Then we will hear from the Forest Service and have a round of questions with them. Then, if you will stay, we will give the members a chance to ask additional questions to either the Forest Service or the GAO and that will probably be triggered a little bit by the testimony of the Forest Service.

Mr. Hinchey. We go by the order in which you arrive.

Mr. Hinchey. Thank you, Mr. Chairman. I appreciate that.

You estimated that the annual loss is \$50 million and you said that that was a conservative estimate. I didn't hear if you said that there was another amount that you thought might be the maximum amount or what the real amount might be.

Mr. Cotton. What the real amount is it's hard to determine. But again, the example that I use is that if we used a maximum amount that States charge, 5 percent, and compare that to the revenue that the Forest Service generates from commercial and non-commercial recreational activities, that activity alone--that program alone, it's \$25 million and added into our \$50 million it would be \$148 million at 5 percent. So, you are going from \$50 million all the way up to hundreds of millions of dollars that are not collected.

Mr. Hinchey. Okay. So, that's the real point. There could be here hundreds of millions of dollars that the Forest Service fails to collect every year.

Mr. Cotton. Absolutely.

Mr. Hinchey. The Forest Service in its testimony says something to the effect that it's very difficult to estimate the material value of these services and they don't do so primarily for that reason. It's difficult and takes time. Could you comment on that? How difficult is it to estimate the value

of these services? How much time would be involved? Is there any material reason, such as those, why better prices aren't being set and more revenue isn't being realized?

Mr. Hill. We don't have any estimate of the time it would take. I would say it would have to be cost-effective with the money that we are talking about here. The fact that the States are currently doing these types of appraisals and ways of valuing the use of their lands shows that it's a good management practice to do.

Mr. Hinchey. So, it's clear that it can be done, the States are doing it, they are obtaining much more revenue than is currently being obtained by the Federal Government?

Mr. Hill. That's correct.

Mr. Hinchey. But, this is not a new problem. This is a problem that has been in existence for a long, long time and, the ``political correctness'' aspirations of this administration aside, this is a problem that goes back at least to 1953, as I understand it, which was--if I remember correctly--the beginnings of the Eisenhower Administration. So, this is a problem that's been around for some period of time.

Mr. Hill. Yes. Not only that, I might point out that GAO has been issuing reports pointing out this problem as far back as 1982.

Mr. Hinchey. Nineteen eighty-two?

Mr. Hill. Nineteen eighty-two.

Mr. Hinchey. Well, I think it's a very good hearing, Mr. Chairman, and I think it's about time that some attention was focused on this problem and it be corrected.

Mr. Regula. Well, I think you are absolutely right and that's one of the reasons we have scheduled oversight hearings to focus on the management techniques. As you point out, the States are successful in getting maybe 15 percent versus what did you say, 5?

Mr. Hill. Three percent.

Mr. Regula. Three percent for the Forest Service, and that's the reason we are having the hearing.

Mr. Peterson.

Mr. Peterson. I wasn't expecting to go next. I was thinking----

Mr. Regula. Well, let me say--excuse me--our policy is that you get called on based on the time you arrive and I think that's fair. We try to limit the first round of questions to about five minutes per member and do everything possible to have a balanced approach to all of this.

Mr. Peterson. Yes, I know. [Laughter.]

Mr. Regula. You're next.

Mr. Peterson. I was still trying to decide which question I was going to ask. [Laughter.]

Mr. Regula. You are next on the list here, Mr. Peterson.

Mr. Peterson. Following up on Mr. Hinchey's comments, there has been a change though in the last decade. If my memory is correct, we are cutting 70 percent less timber now than we were 10 years ago. Am I correct?

Mr. Cotton. Less than that.

Mr. Peterson. Even less than that, okay. What percentage less are we cutting? What percentage are we cutting of what we used to?

Mr. Cotton. I think the Forest Service is cutting somewhere around 20 percent of what it cut----

Mr. Peterson. So we cut 80 percent less.

Mr. Cotton [continuing]. At the peak of the late 1980's and early 1990's, yes.

Mr. Peterson. And was the Forest Service somewhat dependent on those revenues and not focusing on other types of revenues?

Mr. Cotton. A lot of those revenues went into special accounts that the Forest Service could then use for activities like reforestation and other things at the site where the timber was harvested. So, obviously, they relied on that in addition to appropriated dollars.

Mr. Peterson. Well, I think that sheds some light on the point that Mr. Hinchey made, though, that nothing has changed since 1952. A lot has changed since 1952 and what they were depending on and was somewhat of a crutch. I mean, I realize that's an issue that can be debated but for good management in silviculture should be ruling----

Mr. Cotton. Mr. Peterson, could I point out they are essentially two different things. The authority that they've had since 1952 was the authority for the Forest Service to charge someone the costs of giving him a recreational permit. So, the permittee would pay essentially overhead and indirect costs.

EXAMPLES OF FOREST USES

Mr. Peterson. Can you give me an example of a permit that they are not charging much for that they could be charging for?

Mr. Cotton. Resort lodges.

Mr. Peterson. Resort lodges.

Mr. Cotton. Yes. Outfitters. Let me see. During the process of implementing the residential residences. Special uses, like group events, and those types of things. All those fit under the recreational--and then again, the non-commercial ones, like the linear rights-of-way. It's a fairly big one that they said they should be collecting \$20 million and they are not.

Mr. Peterson. From which? What was that one again?

Mr. Cotton. That's where you put in oil and gas pipelines and fiber optics communications lines across Forest Service lands.

Mr. Peterson. And what do they charge for it? Nothing?

Mr. Hill. Very little.

Mr. Cotton. They charge something but those fees are grossly outdated.

Mr. Peterson. Much less than you would pay going across private land?

Mr. Cotton. Just wait until they get to private land, yes--
--

Mr. Peterson. Yes.

Mr. Cotton [continuing]. Much less than what----

Mr. Peterson. So, do you think most of those things are being done on public land when it's available because it costs very little?

Mr. Cotton. Well, usually----

Mr. Hill. I was going to say, when you are running an oil or gas pipeline, you probably want to take the most direct

point and the least costly point. I am not sure if they are purposely routing these things through or around them or not but from the information we have--it costs 10 percent. They are basically getting 10 percent of what they should be getting for these permits. So, that's a pretty good deal.

Mr. Peterson. But, in America, if oil stays at \$9, it's not even going to be an issue because we are not going to be producing oil and gas--or oil, we are going to be producing gas, but not oil in this country, in my view. But, is that an ongoing fee that you pay for that line or is that a fee of putting it there?

Mr. Cotton. That's actually one of the things that the Forest Service and industry are negotiating--or discussing, anyway--right now. Right now, you essentially get an annual fee--or pay an annual fee--for a permit and our understanding is that industry is saying, hey, we are willing to pay fair market value, we are even willing to pay for the appraisal, if in turn we get a fair market instrument in return. In other words, give us an easement or give us a long-term lease, quit wasting your time and our time with these annual fees, and let us be done with this thing. We will pay you once up front and we will save us all a lot of money and a lot of time and it will be based on fair market value.

Now, my understanding is the Forest Service is still discussing this. It seems to make tremendous sense to us. But, right now, there are annual permits and annual fees that have revocable clauses in them that technically the Forest Service could make them come in and rip it up.

Mr. Peterson. What kind of accounts do these fees go into--whether it's timber, whether it's oil and gas line, or whether it's fiber optic line?

Mr. Cotton. They are all piled in usually at the forest level put into a special-use fee revenue account. Then that is just aggregated up. But, most of that money then is returned to the general fund of the U.S. Treasury.

Mr. Peterson. So, part of it can stay in the account that they can use.

Mr. Cotton. No.

Mr. Peterson. None of it?

Mr. Cotton. No, no. It doesn't have the provision that you all provided, like the one in the rec fee demo program where they----

RECREATION FEE DEMO

Mr. Peterson. That's new. Okay.

Mr. Cotton. That's new.

Mr. Regula. That's just the rec fee.

Mr. Peterson. Was that targeted at maintenance? I guess at the State level where--I know a whole lot more about the State than I do the Federal but the crying need is still maintenance on our existing facilities----

Mr. Cotton. Yes.

Mr. Peterson [continuing]. Do you know what I mean? Was the rec fee targeted towards maintenance of existing facilities?

Mr. Regula. Pretty much so, yes.

Mr. Hill. Yes, the rec fee was targeted towards entrance

fees or fees to hike or boat down a river, more geared towards uses by people, by visitors who are in those particular units.

The fees we are talking about here are special-use permit fees--a permit you need to build a cabin, to hold a wedding in a national forest, or something like that where it's a special event and it's a different type of account.

Mr. Peterson. I guess my thoughts are we ought to be targeting it towards maintenance of what we have.

Mr. Regula. Well, let me say, in the rec fee we have really pushed. The testimony in this committee has been that there's \$13 billion and that's parks, forest, the whole works, of backlog maintenance. And that's one of the things in the rec fee program we have emphasized--get caught up, fix those campsites, fix those toilets, fix those roads--because that's how the visitor has a decent experience, whether it's a forest or whether it's a park.

Mr. Wamp.

Mr. Wamp. Thank you, Mr. Chairman. I want to open by welcoming Mr. Cramer, Mr. Hinchey, Mr. Kingston and Mr. Peterson to what I think is the best subcommittee in the House. We have got a great bipartisan team here and we work together with great agencies for the most part. Sometimes they come in and we have to scold them or whip them into shape but when you are talking about the Park Service and the Forest Service and U.S. Fish and Wildlife and Geological Survey and all of them, they are really, really good agencies. So is the Bureau of Land Management. But, I love this subcommittee and I know you will as well.

But, it seems to me--I hate to state the obvious--we need to get more of this money right back to where it can help the locals. One of the things the Park Service did well was to kind of poll their users to see if they wanted their fees and their revenues--any money we had asked them for--to go right back into upgrading that particular asset. You know, I have just old country fishermen that are kind of surprised about a \$2 parking fee to go fish in a river that they have been fishing in for generations.

I am interested in how we set fair market value in situations like that because fair market value to them is it's free somewhere else, on down the river, when you are outside the land, so it's hard to charge them \$2 when fair market value is free everywhere else. And I mean I understand how much it costs to ski--you know, that's kind of a little easier--than to fish.

But I wonder what the Forest Service did which the Park Service I know did well and I am very proud of what we have done with fee demonstration because, let me tell you, we may have saved the infrastructure over time of these national treasures by allowing this process to go but they actually polled and found out, would you pay and how much and what for if you knew that the money you are paying is going to keep this thing up and take care of these backlog maintenance issues so that the roads don't wash you, so that the parking lots don't crack apart, so that you can have access to these national treasures.

And once you find that yes, they will pay, and then you find out how much, you determine what fair market value is and

then you have built public support for what we are trying to accomplish. What have they done versus what the Park Service seems to be doing well where we visited?

Mr. Hill. That's an excellent question, Congressman Wamp. In fact, next month we will be presenting the results of our fee demo report that we issued recently.

The experience has been very favorable in the rec fee demo program in all the Federal land management agencies that have used it. One of the things that each of the land management agencies have done is they have put questionnaires out and gotten feedback from the visitors. The overwhelming majority of visitors to these sites agree--are agreeable to the fees in terms of paying the fees and they all stress as long as the majority--if not all--of that fee is staying in the park or in the forest that they are visiting, they are fully in favor of it.

I think everyone wants these parks and forests to be in tip-top shape and in such a way that we can preserve them for the future generations. They are certainly our national treasures and we want to keep them that way. I think that visitors to these sites--when they realize that the fee they are paying is going to stay at these sites--are more than agreeable to pay it.

Now, The Forest Service's experience, I think, differs from the Park Service's experience with implementing this. It's been a little easier for the Park Service, I think, because in a lot of the situations they were already charging entrance fees and fees in the national parks. This is a new experience for the Forest Service. In most cases, they were not charging entrance fees to enter the national forest, so I think it's taken them a little longer to adapt to the process than it did the Park Service.

But, the indication we have is that they are up and running now and it seems to be working pretty well. They are collecting a lot of revenues and the reaction from the majority of the visitors has been very positive. You are always going to have a few complaints. Most of the complaints are coming from the local residents that live around these forests and parks. They have been using them for free for all their lives are suddenly now being charged \$2 to fish in---

Mr. Wamp. Do you see that they are phasing it in to make it a little more digestible for these consumers?

Mr. Hill. Well, this demo still has an additional two years to run. The whole purpose of the demo is to try some innovative and creative techniques here so they are experimenting. They are still in the experimental phase so you are going to expect there are going to be some bumps and bruises as you go along and it's going to be a learning experience.

We have--everyone, including the Congress--encouraged them to be creative and to be innovative so everything is not going to work. The important thing here is that they are monitoring what's going on, they are getting feedback from the public that's visiting the sites. If and when this does become a permanent program, they will adapt to the best practices and do what makes sense in these---

Mr. Wamp. Mr. Chairman, let us work with the authorizers of this subcommittee to try to lock away as much of that money for

the site that you collect the fee in as possible and that way, I think, the public will be behind us.

Mr. Regula. Well, thank you and I might tell you, Mr. Wamp, on March 3 we will have an oversight hearing just on the rec fee demo program.

Mr. Hill. If I may add one word of caution here. This probably holds true to the parks more than it does to the forest at this point because they are generating more revenue at this point. In our report, we have cautioned somewhat against this 80 percent requirement because what you are having is some sites--some heavily visited sites, like the Grand Canyon or Yosemite or Yellowstone--are bringing in lots of revenue and they are using those revenues for good purposes in terms of dealing with their maintenance backlog and cleaning the parks up. But, within a matter of three to five years, their backlog should be gone and they will still be generating these large amounts of revenues.

You have other sites--like the Lincoln Memorial--that charges no fee and they will be getting no revenue. So, I think you have to closely monitor these sites to see if we are creating ``haves'' and ``have-nots'' and make some adjustments if necessary to make sure that some of this money is going to other parks, while maintaining the incentive at the sites that collect it and making sure that the public understands that of the fee they are paying, the majority is going to stay in that park.

Mr. Regula. But, it all goes to parks. It might go to the Lincoln Memorial, it might go to the Cuyahoga Valley, it might go to our historic corridors, for that matter.

Mr. Hill. That's correct.

Mr. Regula. But, the 100 percent stays in the park system--

--

Mr. Hill. In the park system, absolutely.

Mr. Regula. Prior to this, it went----

Mr. Hill. To the Treasury.

Mr. Regula [continuing]. To the Treasury and I might tell you, the new members, we had a \$90 million chargeoff that our committee had to absorb because the OMB said the Treasury is going to lose that \$90 million because the parks are keeping it, so you have to eat that in your subcommittee as part of the overhead.

Mr. Wamp. Mr. Chairman----

Mr. Regula. It doesn't seem very fair to me, but----

[Laughter.]

Mr. Wamp. Mr. Chairman? Let me just point out that if 100 percent of the money, though, went to the Forest Service and not back to the site, you have identified in your testimony that the Forest Service is not quite up to snuff at the top level of management to spend that money wisely and I want to make sure it gets back where it is supposed to be, also.

Mr. Hill. And your point is well taken. Yes, we do point that out.

Mr. Regula. Mr. Cramer.

Mr. Cramer. Mr. Chairman, thank you, and I am excited to be a part of this committee. Mr. Wamp, thank you for those comments. I had hoped to come to this subcommittee when I first came on the full committee but it wasn't open to me at that time so I am glad to be here and look forward to working with

you.

And I am playing catchup to a certain extent because I am a new member of this committee but along with what Mr. Wamp was raising there with you, we have what, two years left on the demonstration program or about?

Mr. Hill. That's right.

Mr. Cramer. And you are here regularly to evaluate and make comment on practices and decisions that have been made by others. Along that line, speaking of the user fees, I have a national forest that comes to the edge of my district so I have a lot of users of that forest in my district and they are, of course, sounding off about the new practices of having to pay to get in there.

Is there flexibility--and I assume that there is--with the Forest Service being able to determine, for example, with multi-users, are there passes that they can get and ways that this can be more user-friendly rather than folks having to at every opportunity to go there line up and be part of whatever line there might be?

Mr. Hill. Yes, the program was set up with maximum flexibility here. It was set up to be innovative and creative in terms of trying different things, and they would certainly have the flexibility to do that sort of thing.

Mr. Cramer. And if they see that something makes sense that they hadn't thought of then they can implement that rather quickly----

Mr. Regula. Yes.

Mr. Cramer [continuing]. And they should be challenged to do that.

Mr. Cotton. Mr. Cramer, they are doing things like providing passes that will allow you into multiple parks and forests. They are also setting up programs where you don't have to come to the forest to get the permit. You can actually go to places in town and buy them before you come to make your visit more convenient. They are experimenting with a lot of different things for users.

Mr. Cramer. I am getting a different feedback for the users----

Mr. Hill. Well, there----

Mr. Cramer [continuing]. But that's good to know.

Mr. Hill [continuing]. Have been some horror cases and particularly where you have units--Fish and Wildlife Refuges, parks, and forests--all next to each other and someone decides that they are going to take a canoe trip down the river and they are ending up having to pay fees from three or four different units plus the State park that's located in there.

So, here again, I think this is part of the learning experience. I think as they go along and we encounter some of these situations, hopefully we'll keep the visitor in mind. Hopefully the goal here will not necessarily in these instances be to maximize revenue, but to take the visitor experience into play and make sure that, in terms of the visitor who is visiting the facility, it's a pleasant experience and they are being charged a reasonable amount.

Mr. Cramer. And the purpose of a demonstration, obviously, our program is to make sure that you evaluate the steps that you take and----

Mr. Regula. We will really cover that at the March 3rd hearing, the whole gamut of--and there are a lot of different approaches that they have taken in different parks--annual permit fees for local people, and so on.

Mr. Cramer. Right. In the initial part of your statement provided to us, you say that certain legislative provisions also serve as disincentives to either increasing revenue or decreasing costs, and I have read what is below that as well, but would you comment on that briefly a little further? What do you mean by that?

Mr. Cotton. For many of the programs or some of the programs, anyway, they can generate revenue. The Forest Service is required to share those revenues on a gross rather than on a net basis. So, you don't take out your costs first before you distribute the revenue that that program generates. Because you are retaining the receipts the yourself or you are sharing them with the States and the counties before you take out the costs, and the costs are being funded not from those revenues but from the appropriations you give that agency, then neither the agency nor the States nor the counties are concerned about the costs of producing that revenue. That is our basic point on that issue.

Mr. Cramer. All right. And, then further down from there, when you are talking about the fair market fees for commercial activities such as resort lodges, marinas, guide services, can you give us a breakdown on how much revenue is lost because the Forest Service has not updated appraisals and fee schedules?

Mr. Cotton. That is pretty much the \$50 million.

Mr. Cramer. That is a very conservative estimate.

Mr. Cotton. Again, very conservatively, \$50 million to possibly hundreds of millions a year.

Mr. Cramer. Thank you, Mr. Chairman.

Mr. Regula. Mr. Nethercutt.

Mr. Nethercutt. Thank you, Mr. Chairman.

Welcome, gentlemen.

recreational residence fees

I want to speak with you in my five minutes on the subject of recreational residence fees. I come from a part of the country, the east side of the State of Washington and northern Idaho is part of our inland northwest area that we are so proud of. We have--I know of one, in particular, example of--Forest Service leases on a place called Priest Lake, Idaho--beautiful lake; 25 miles long and historically has had residents there--shacks, cabins, part-time year residences for some people. You can only get in to this part of the country maybe nine months out of the year; the other three months are pretty heavy with snow and are impassible. So, it is a part-time use example. And a lot of families have owned these residences for many, many years and paid traditionally historically fairly low fees. Now, some of these families are faced--families of modest means--faced with multi-fold increases in their annual lease payments with the understanding that they can't literally cut a tree without getting the Forest Service to approve. You really don't have much control over your land except you can use it, and you pay for the cabin in addition, plus your real estate taxes--I guess you don't pay real estate taxes; you pay fees.

I am wanting to balance and square the desire of your agency to get money and fair market return with the interests of families and others in not only the State of Idaho but other places around the country who may have similar circumstances. Balance it out with the idea that if you are going to price these leases so sky high, you are going to have only multi-millionaires using these recreational sites, and, to me, that doesn't seem equitable; there is something wrong with that.

Plus, you have some fluctuations in market values, and so I am interested in knowing what formula or what method you all use as you look at what is an expected \$15 million, I think, you can get out of these recreational fee residences? How are you going to square that with the value that comes from having a variety of people and their families be able to use these residences rather than just multi-millionaires? Literally, what you are doing is making that happen. And how do you adjust for differences in market values on an annual basis or every several year basis, so you are not sticking a family with \$5,000 and \$6,000 and \$10,000 a year just for lease fees when in fact maybe the property value has gone down; sunk like a rock? And they will sink if you place the fees so high--the lease fees so high--that only millionaires will buy them, because people will sell them and then the price will go down. So, it concerns me.

Mr. Hill. Mr. Nethercutt, you raise a good question, and it is one that is of concern. And my response to that is we are not policymakers, we are auditors. We can tell you what is; we can tell you what could be; it is up to you to decide what should be. Now, what is here is the system that the Forest Service has used to charge fees on these permits is based on an assessment system. That assessment has not been updated in over 20 years. So, in essence, when it was put into place, those fees may have been fair market value. They are now woefully out of date which creates the problem and a situation that you are referring to that these people now that have built cabins and are now living in these places and have been there for a long time are used to paying certain fees. If those assessments were redone and updated, the assessed value of those lots and those homes would be anywhere from 2 to 14 times higher than they currently are, which would trigger rate increases of up to 350 percent on some of the people that are living in these cabins or have summer homes in these forests. That is what could be.

Now, we are not policymakers, and I can understand people who are in the situation suddenly getting a bill that is 3.5 times higher than what they are used to paying. I would be outraged as well. The problem was created because the system that is being used was allowed to go out of date. It was not kept up to date, so that people would be paying a graduated increase over this 20-year period and wouldn't feel as bad as suddenly getting the big bill in the mailbox. But here again, we are telling you what could be. Should the Forest Service increase the fee 350 percent and get it back to fair market value all at once? That is something that you and I think the Forest Service needs to consider. They must work out some kind of implementation scheme in terms of how can we make this increase and get these rates closer to fair market value in a more palatable way to the people that are affected by this.

updating appraisals

Mr. Nethercutt. What is your recommendation to the Forest Service and this subcommittee relative to increments of appraisals? In other words, should it be a annual appraisal? Should it be every 2 years, 3 years, 10 years? What should it be in your best judgment?

Mr. Hill. We have not recommended anything in terms of whether it is yearly or--you mean, the increase itself?

Mr. Nethercutt. Well, the reappraisal recognizing that values do fluctuate depending on markets. What would your recommendation be as to what would be an appropriate reappraisal term?

Mr. Hill. We have not made that recommendation. Here again, we can tell you what could be----

Mr. Nethercutt. I know you haven't made it.

Mr. Hill. But how you implement it, I think, is really up to the--what we would like to see, I think, is the Forest Service should come to Congress with a plan in terms of here is our plan and strategy for getting this thing back into sync and down the road getting fair market value. We think it is not only a plan that will get us to where we want to be in terms of collecting these fees, but we think it is fair and equitable to the people that are affected by it.

Mr. Nethercutt. So, you have no recommendation.

Mr. Hill. No.

Mr. Cotton. Mr. Nethercutt, obviously, you would not want to do it yearly. It mean, it would impose a tremendous cost on the Forest Service to go out and do these appraisals, and it wouldn't make any sense. So, you would look at do you do it every 3 years, every 5 years, what makes sense? It may vary based upon market.

Mr. Nethercutt. Thank you, Mr. Chairman.

Mr. Regula. Mr. Kingston.

Mr. Kingston. Thank you, Mr. Chairman. Last year, Jim Lyons had a big statement about the appalling state of decay in the recreational facilities in National Forests. Do you know what I am talking about? Do you remember that statement in August? And this seemed to be needling that there was underfunding by this Congress for recreational facilities, correct?

Mr. Cotton. There is an enormous backlog of deferred maintenance and reconstruction needs on the National Forests, correct.

Mr. Kingston. Well, the administration, as you know, is almost requesting level funding. On trail construction, they are dropping it from \$29 million to \$13 million, so I guess my question is, was the Lyon statement just election year rhetoric or is the administration being irresponsible? [Laughter.]

Mr. Cotton. Let me rephrase that.

Mr. Kingston. A or B.

Mr. Cotton. There is an enormous backlog of deferred maintenance and reconstruction needs in the National Forests.

Mr. Kingston. What goes on inside these budget meetings? I mean, when they cut the trails from \$29 million to \$13 million, what was your reaction? Internally, what goes on if I could have been a fly on the wall?

Mr. Cotton. Okay, well, we weren't a fly on the wall.

Mr. Hill. I think it is an excellent question, and you should probably direct that to the Forest Service who is coming up next.

Mr. Kingston. All right. I will give them your kind regards. [Laughter.]

That is my only question.

Mr. Regula. Thank you. We will probably have some more questions, and, by the way, I want to tell the members, if you want to submit questions for the record, we will get them to the agency and get you back the responses. I have a whole list of them, and I am sure some of you do also.

Mr. Taylor. Mr. Chairman?

Mr. Regula. Mr. Taylor.

Mr. Taylor. Could we ask one question before you leave? You cite the financial incentives and so forth that the Forest Service could raise a lot of revenue if it was so motivated in mostly recreation, and you cite very low figures--\$50 million, \$10 million, and that sort of thing--and yet they dropped from \$3 billion a few years ago in timber down to almost nothing, and can we hope to gain the same amount of money in recreation that we get from the natural management of timber resources?

Mr. Hill. We don't have a good estimate in terms of the total revenues that could be---

Mr. Regula. We will save that one for the Forest Service.

Mr. Cotton. Mr. Taylor, the most we have seen, though, is \$250 million.

Mr. Taylor. In recreation or--?

Mr. Cotton. In recreation. Again, that is letting them do it everywhere. So, that is far short of the \$3 billion down to \$600 million that you have with the timber part of it.

Mr. Taylor. Than if you just manage the forest.

[Additional committee questions to GAO follow:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Wednesday, February 10, 1999.

FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE

WITNESSES

RONALD E. STEWART, DEPUTY CHIEF, PROGRAMS AND LEGISLATION
DENNY BSCHOR, DIRECTOR, RECREATION, WILDERNESS, AND HERITAGE RESOURCES
JACK L. CRAVEN, DIRECTOR, LANDS

Mr. Regula. Okay, next we have the Forest Service. Mr. Bschor, the Director of Recreation, Wilderness, and Heritage Resources, and Mr. Craven, the Director of Lands. Oh yes, and we will have testimony by Mr. Stewart, the Deputy Chief of Programs and Legislation.

Gentlemen, Mr. Stewart, are you going to lead off here?

Mr. Stewart. Yes, Mr. Chairman.

Mr. Regula. Okay.

Oral Statement of Forest Service

Mr. Stewart. First of all, I am very pleased to be here.

This is the first opportunity to appear before this committee in the 106th Congress, and it is nice to see all of you again. Many of you I have seen in other committees.

With your permission, I would like to summarize my comments and have the full testimony----

Mr. Regula. I appreciate that, and your full statement will be a part of the record.

Mr. Stewart. Thank you. I would also like to say, I find this kind of ironic. This is the second hearing I have participated in in the 106th. The last one was also with Mr. Hill, and for the second time, I find myself agreeing with GAO and their findings, and I don't know whether that is a harbinger of good things to come or bad, because they don't always say good things about us, and there are certainly some issues of contention in their findings. But, in general, we would agree with their findings.

This morning, I would like to make three points and then expand on them. And the first point is that generation of revenues from the National Forests must be consistent with good land stewardship and should promote healthy watersheds, forests, and rangelands; that is the fundamental principle.

Second, the Forest Service has many existing authorities as has been mentioned already to both manage land uses and occupancies and to collect fees.

And, finally, clearly, from the previous testimony and from the points I am going to make, we need to do a better job of obtaining fair market value for these uses and to use the authorities we have to collect cost recovery fees which we have not done.

First of all, let me talk about generation of revenues that need to be consistent with good land stewardship and promote healthy watersheds, forests, and rangelands. Obviously, with 192 million acres, there are many opportunities to generate revenues; these are extremely valuable lands. But the ability to generate those revenues, either for the Treasury or for use by the Forest Service, should not be or become in the future the basis for selecting projects and activities on the ground. That decision needs to be scientifically-based and professionally-based. Decisions affecting land management projects and activities should be based on the need for treatment, and they must be consistent with the best available science and professional judgment. I think that is a principle that we could all agree on.

Secondly, the Forest Service has many existing authorities to manage land uses and occupancies and to collect fees. As has been mentioned earlier, we talked about 1952--in fact, we have had statutory authority to authorize special uses dating back to the Organic Administration Act of June 4th, 1897, and, currently, there are 16 Federal laws concerning the use and occupancy of the National Forest System land, and these individual statutes authorize specific uses and occupancies, and several also provide the authority to assess and collect charges from the holders of and applicant's for, special use authorization.

There are two kinds of lands use or occupancy fees, and I would like to make that distinction if I could. First, there are land-use rental fees. We are directed to assess and collect

a fair price or what is called a fair market rental fee that is commensurate with the value of the rights and the privileges that are granted to the holder of a particular use. We have a long history of assessing and collecting such kinds of fees. The second kind of fee is a cost recovery fee. We have had authority to collect cost recovery fees since 1952 under the Independent Offices Appropriations Act and, again, under the 1976 Federal Land Policy and Management Act, so-called FLPMA. However, as has been pointed out, we have only recently begun to develop the necessary regulations to implement this authority. So, while we have had the authority, we have never developed implementing regulations. We are planning to publish draft regulations for public comment by the middle of next year and have final regulations scheduled for sometime in the year 2000.

I would like to refer you to your left to the pie chart up there called ``Special Uses by Type,' ' and you should have a copy of that color chart in front of you.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Stewart. And as the chairman indicated in his opening remarks, the Forest Service has over 74,000 special-use authorizations and over 130 different categories. This reflecting the fact, as I said earlier, that there are 16 Federal laws concerning the use and occupancy of National Forest System land. These uses encumber about 9 million acres of Forest Service and with a private sector capital investment of more than \$150 billion, that is a ``b'', billion dollars. We separate these into two broad categories. About 27,500 of them are recreation related, and the remaining are non-recreation uses.

I would like to refer to the bar chart to your right.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Stewart. Revenue generation under existing authorities and regulations has been fairly constant for the last five years. For Fiscal Year 1998, non-recreational revenues were \$11.5 million and recreational revenues were about \$37.3 million, and, of course, that reflects, as said earlier, particularly revenues from ski areas of the recreation category. Because we have such a wide variety of permitted uses, we have a number of ways for determining fair market value, and they include such things as fee schedules, and those are used largely for communications sites and linear rights-of-way. We have rental fees. These are based on a percentage of the appraised value of the land being used and occupied, and probably the most outstanding example of that is the recreation residences that were mentioned earlier. Graduated rate fees is another basis, and this is usually based on the gross revenues generated by an authorized use. Resorts and things like service stations and other occupancies that generate revenues are often a way that those are done. Competitive bid is used to obtain fees from things like campground concessions and, oftentimes,

in new opportunities where it is thought that competition is available. And then, finally, something that is rarely used is a negotiated fee. An example of that would be a mobile vendor who sells firewood in a campground.

The last point I would like to make is we do need to do a better job of obtaining fair market value for these uses and to use our authority to collect cost-recovery fees. As indicated in the testimony by the General Accounting Office this morning, that they have been critical of our inability to either use or keep land-use rental fee assessments and collections current with fair market value or to collect the costs for processing those permits.

There are a number of reasons why. I might just highlight a couple, and they are outlined in my testimony. But, internally, we have lost a lot of skill, the kind of specialized skills to do appraisals. We have not put adequate resources into this issue, therefore, we have had to prioritize the workload, and what you see in the way of attempting to bring appraisals up to fair market value reflects that kind of methodical approach beginning with some of the high priority ones and working on those with the intent eventually of getting on top of all of them.

Also, changes in procedures for determining fair market value fall under the Administrative Procedures Act, and, rightfully, therefore, require a lot of public input. As has been indicated by a number of you here this morning, changing land-use rental fees is a pocketbook issue, and anytime you change the cost of doing business to a businessman or the cost of occupying a site for an individual person with a recreation residence fee, it becomes quite controversial, and, therefore, sometimes difficult to change.

And, finally, I think it is fair to say that we have not given collection of fair market value a high priority in the past, and I suspect that one of those reasons is that there have been appropriated dollars available. I believe as we all begin to live in a balanced budget environment, some realities face you as we are going to have to do business differently.

Let me just conclude by saying that we are making some progress. We expect in the next three to five years to generate additional revenues through implementation of fair market value fee schedules for communication sites, and that is estimated to be about an \$18 million increase; recreation residence with authorizations when that is fully implemented will be about a \$15 million increase, and then, finally, linear rights-of-way, which will be somewhere between a \$3 million to \$5 million increase.

In summary, I would like to say that we do have existing authority to authorize land-use and occupancies and to collect fees. We have always been encouraged to collect fair market values, however, we need to do a better job of doing that. That clearly is an area that needs additional attention. We also need to complete the process that I mentioned to develop the implementing regulations for collecting cost-recovery fees. These are the fees for processing a permit and overseeing--if it involves construction, monitoring and overseeing the construction. The administration is seeking authority to collect and retain annual rental fee receipts for commercial

filming and photography on Federal lands which is one opportunity to generate revenues and to use those locally, and there are others that will be proposed as part of the budget process during this next year. As with other revenue-generating opportunities, we must be sure that our primary concern, again, is for good stewardship and health of the land.

That concludes my remarks, and we would be glad to answer your questions.

[The written statement of Mr. Stewart follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. Mr. Bschor, do you want to add anything or Mr. Craven?

I have a number of questions, but, in the interest of time, I will put most of these in the record.

filming fees

Do you have movie companies using your lands? Do you charge them a fair market value if they come out there and do a western movie on forest lands?

Mr. Stewart. The answer to the question is, yes, we do. In fact, certain forests particularly around the Los Angeles basin where the film industry is based, have a very high demand for everything from movies to commercials. A lot of the car advertisements you see have a National Forest as a background. In terms of where we stand on achieving fair market value, Denny, do you want to address that?

Mr. Bschor. I guess my short answer is we are still working that, and we have the opportunity to work with our other sister agencies, like the BLM and the Park Service, to improve that effort. But I think the short answer is, probably not.

Mr. Stewart. I think the other part of that is currently any fees generated, of course, go to the Treasury, and the proposal would allow those fees to come back----

Mr. Regula. You don't have an incentive.

Mr. Stewart. Yes.

Mr. Regula. I often wondered how they got the jeep up on top of that mountain. [Laughter.]

Mr. Craven. If I could, Mr. Chairman, let me add a couple points. We are working with the BLM on an appropriate fee schedule, and there have been a lot of different ways between the agencies of trying to collect fees, if you will, a fair market value. Some agencies even barter for xerox machines or equipment for use of that, but we are setting up right now if we can a schedule. We should be out with that this summer and, wherein, that it would be fair. Again, it is very tough to determine an exact fee in terms of how much it is worth to a particular company. So, that is why we are going with this fee schedule.

Mr. Regula. So, you are really looking at it. They have been making movies on this forest land for umpteen years, and it doesn't sound to me like we have been getting any compensation to speak of.

Mr. Stewart. Yes, that is correct. We have been getting a variable compensation.

hydropower fees

Mr. Regula. Another area is hydro. As I understand it, we have a couple of hundred hydro plants producing \$4 billion or \$5 billion worth of electricity, and we get very little. We get maybe fair market value of the land. You wouldn't need a lot of land, but you might generate enormous revenues. I would like your comments on whether you think you are getting anything close to fair market from hydro plants?

Mr. Stewart. If I might just for a second, I just realized that while you introduced us, we have not introduced ourselves, so you don't know who you are addressing, and this is Mr. Bschor to my right. He is the Director of our Recreation staff. Mr. Craven is the Director of our Lands staff, and I am going to ask Mr. Craven to answer that question.

Mr. Craven. Thank you, Mr. Chairman. Yes, on the hydro electric relicensing or hydro electric initiative--hydro power initiative we are calling it within the agency--we view this is as a major opportunity to have revenue generation.

To answer your question, specifically, regarding our cost recovery right now, that answer is, no, it is not based on fair market value. It is based on a linear right-of-way per acre basis fee schedule, and it has very little reflection of anything to do with the marketplace. We are conducting a market survey right now. Our chief appraiser and several of the staff have been tasked to conduct a market survey.

Some very conservative estimates indicate that with roughly 139 hydro power projects that we are looking at permitting or working with the Federal Energy Regulatory Commission on permitting over the next three to five years, that we could generate on the order of \$100 million a year annually in terms of rentals, and this is a conservative estimate.

Mr. Regula. Which you are now losing.

Mr. Stewart. Yes. I believe we are generating approximately \$6 million per year annual revenue.

Mr. Regula. Mr. Dicks.

Mr. Dicks. Some of this is repetitive, but please help the committee out by describing briefly the overall size and scope of some of the major uses that we are discussing. I want to take a couple of minutes so that all members of the committee can have a common understanding of just how extensive these problems of permitting activities are. For each category, please describe the number--well, we have got this chart that does that, basically, don't we?

Mr. Bschor, you were out at Mt. Baker, right?

Mr. Bschor. Yes, sir.

Mr. Dicks. Let me ask you this: how many people on your staff did you have that were working on revenues trying to collect these fees?

Mr. Bschor. Working in the lands area, do you mean?

Mr. Dicks. Yes. I mean, on the ski areas or any of these areas--marinas, private recreation residence. Is it the responsibility of the individual forest to do this or is it region 6? Who is responsible here to get this done?

Mr. Bschor. The forests are ultimately responsible for the billings and collection of the fees. We do get help out of the

regional office on that, but to answer your question of how many people at the Forest level, it would be the Forest Recreation and Land Staff Officer, probably two people from his staff, and at least one person from every ranger district, and we have four ranger districts.

Mr. Dicks. So, there are some people who have this responsibility.

Mr. Bschor. Yes.

priority of fee collection

Mr. Dicks. Is the problem that this has just not been given a priority because you had appropriated funds, so collecting these fees was not a major interest of the Forest Service?

Mr. Bschor. I would say collecting the fees was definitely a major interest. The situation at the Forest level where I just came from is that you never had enough dollars in the land-use account to really handle the total land-use job. In other words, we had I would say on the average of two or three new cases every month coming through the door that we couldn't even process with the appropriated money.

Mr. Dicks. These are new requests for----

Mr. Bschor. New requests--let alone trying to stay on top of the existing cases where you have monitoring of those cases. You have to go out and see if the situation on the ground has changed at all; whether they are meeting the permit conditions and that sort of thing, in addition to the administrative work of fee collection. And what we did just to add to this is--I think it was mentioned in our testimony--our expertise is dwindling as far as the number of folks that we have, and I think that is part of what your question is.

Mr. Dicks. For the appraisals and that kind of thing?

Mr. Bschor. Right. And what we did on the Mt. Baker-Snoqualmie was pour expertise into a team that worked forest-wide. In other words, we had four or five people who, rather than working in land uses part-time, actually worked full-time as a team, and I found that that was much more efficient. Before, they were spread with other duties in different locations across the forest. So, that is one way of improving that effectiveness that I think worked very well.

Mr. Dicks. How long were you there, four years, five years?

Mr. Bschor. Five years.

Mr. Dicks. Okay. When you started, what was your staff level at Mt. Baker-Snoqualmie?

Mr. Bschor. The staff level--should I go back before I started?

Mr. Dicks. Right.

Mr. Bschor. Okay, before I got there, in 1991, our levels were at 440 permanent full-time employees.

Mr. Dicks. And what was it when you left?

Mr. Bschor. When I arrived, it was 236; when I left, it was 189.

Mr. Dicks. So, part of the problem we have had here is that the Forest Service has been under enormous pressure to downsize because the Timber Program is less. And, so we have wound up with fewer personnel, and yet you have to do all the work on the spotted owl issue, the marbled murrelet issues, salmon

issues, all of these high-priority Endangered Species Act issues, and is it--so, basically, am I right here, that you just don't have the people to get this done? In other words, if we are going to make this a priority, don't we have to convince the leadership of the Forest Service to put more people into this activity and really kind of assign them this duty?

Mr. Bschor. You have to rely upon other specialists that help you with this work also, the same as they would help with a timber sale or with a recreation project or land-use type of case and the wildlife specialists, soil specialists and that sort of thing, and, in general, all those specialties have been reduced to some extent on the Mt. Baker-Snoqualmie.

Mr. Dicks. And, of course--and I yield here, Mr. Chairman--one of the problems, of course, we have had is that the Forest Service has this disastrous financial system which we highlighted last year and we are working on with you to try to turn around, and it seems to me that this issue could exacerbate that issue, but, again, I mean, at some point here, with the declining budgets, if we don't do something about this, you are not going to have the money to get the job done.

Mr. Stewart. May I just--if I could add something, and I do want to, by the way, thank you that you have been patient with us as we try to get a handle on our financial system. That certainly is one of our problems. Without having good financial records, it is hard to know where and how to cut costs, and we are getting better on it.

There are two ways to deal with----

Mr. Dicks. Or how to recover costs.

Mr. Stewart. Okay, that is a good point, and the other thing that strikes me, though, is we have got to--there are two ways to go about this: one is to staff up to do it, and the other way is to find better ways to do it, and we have put some energy over the last year internally with some teams looking at how to streamline the whole process, and I think that a combination of getting the right expertise, the right people in the right place, and doing business in a different way and making it easier to process the permit, which is better for us and also better for the customer, is, at least, a good part of the solution.

Mr. Dicks. Thank you, Mr. Chairman.

Mr. Regula. I think what we will do is suspend while members vote. Mr. Wamp has agreed to preside briefly while I go to the Transportation Subcommittee.

Mr. Taylor. Can we go ahead if we want to ask some questions and go on the tail-end of the vote. I have got a committee meeting----

Mr. Regula. Oh, okay, yes. Let us take yours, so you can leave, and then when you come back, Mr. Wamp will take over. Then I will be back, and what I want to do is finish the hearing. We may run over a little bit over the 12 o'clock, but I would like to finish the hearing today.

So, Mr. Taylor.

state forest revenues

Mr. Taylor. Do you have your revenue on the Forests recreation broken down by States? I was wondering about North

Carolina in comparison to the amount of money being put into the program based on the amount you collected.

Mr. Bschor. I don't have that with me or on top of my head right now, but we would be very----

Mr. Taylor. I will submit that, and so these other questions then to you.

Mr. Stewart, are you a forester?

Mr. Stewart. Yes, sir, I am.

Mr. Taylor. Could you explain to us about, in your estimation, why does the State receive so much more revenue from their forestry programs versus the Forest Service as outlined by the GAO a few moments ago, and it has been in many other articles?

Mr. Stewart. I think there are a number of reasons; that is a question I kind of like. I started my career with the State of Washington Department of Natural Resources, which owns and manages for the people of the State of Washington about 2 million acres of forestland, and I would say a number of things: one is that national priorities have been different. At the State level, their concern was generating revenues for the Treasury, and there is a good deal of emphasis put on that. It was a smaller organization, so that they had a fair handle on their costs and their information flow; probably internally more oversight at the time. Whether they are in that position now, I don't know; I mean, that has been a number of years ago. But in terms of national objectives, in terms of environmental objectives, I think they probably enjoy simpler procedures and processes. We have developed a lot----

Mr. Taylor. You say that they are being managed more on a universally-recognized forestry management practices as taught by universities as opposed to the Forest Service?

Mr. Stewart. At the time I was there, the practices between the Forest Service and the State were very, very similar----

Mr. Taylor. How about today?

Mr. Stewart. I think the difference being is they were operated more like a forest industry. They were operated more like, say, a Weyerhaeuser which would have been the model in the State of Washington.

Mr. Taylor. Well, in their Timber Program, isn't that--using silviculture, that is one of the areas that you are--and, yet, you can't violate the environmental laws whether you are the U.S. Forest Service or Weyerhaeuser. They both have to obey the law.

Mr. Stewart. Again, I would suggest, though, that at the time I was with the State--and I can't say this about other States--there was a tremendous pressure to try to maximize revenues.

Mr. Dicks. That has changed dramatically.

Mr. Stewart. I would imagine it has.

Mr. Dicks. Because the listing under the Endangered Species Act is out there.

Mr. Taylor. In one other comment, I would say--and this is my personal opinion--does it bother you when you try to collect revenues in a variety of special areas? I pay my revenue on April 15 unless I get an extension. Doesn't that entitle me the right to go to the Forest Service and lands and do basic use of the lands? Now, if you provide me a donkey to go down the Grand

Canyon, well, I ought to pay for it. If you provide me a camping site, I pay for it. But to charge me for basic uses, is that not contrary to the establishment of having the public lands? And shouldn't we, the Congress, be appropriating enough money from our \$1.8 trillion to manage these lands, and shouldn't you be doing your management on the same basis?

Mr. Stewart. Mr. Taylor, the answer to your last question, of course, you know the Forest Service, we can always use more money. But I think that the key here is a distinction you make, and that is the difference between an access charge--that is, just to go on the National Forest--versus a use charge to do a specific use--to use a parking lot, to pay for a campground or something like that--our surveys of our customers generally show people are more willing to pay and understand the use charge than they do an access charge. The Park Service has been much more successful because people expected always to pay to go to a national park; you pay an access fee. And, so to them it has been----

Mr. Regula. We only have about five minutes to vote.

Mr. Taylor. Thank you, Mr. Chairman.

[Recess.]

Mr. Wamp [presiding]. Let us go back to work. I don't want to make you rush, but it is kind of cheap way to get to ask you questions first is to agree to assume the Chair, and then hustle back from a vote. [Laughter.]

Mr. Stewart, I will go ahead and ask my questions; save us a little time and try to finish before the top of the hour here.

financial management

I applaud you for your statements and for your intent, your expressed desire. My question is, internally, as much internally as you can actually share without it being no longer internal, do you have a written plan for your--I heard some five-year goals earlier, general goals of what you are trying to accomplish? But just in my couple of years here on the subcommittee, one of our frustrations is we will talk to a group about improvements, and they will come back the next year, and there is no clear sign that they have improved, and I just wonder what your plans and goals would allow this time next year for you to be able to come back and report ``In these 12 months, we have made this much progress at increasing our revenue or improving our analysis of fair market value'' or do you have public relations campaigns underway within the Forest Service that are expected to be completed in the next 12 months, so you will know what fees are workable, so that you can actually make an annual progress report to us along these lines of increased revenues?

Mr. Stewart. Let me just start by saying I think there are two aspects of this: one is the business management side of it, and, as GAO and the Inspector General have pointed out and as the chairman and members of this committee have pointed out, we have got some severe problems with our financial management system, and we have a time frame and plan laid out for that. While that has not been without some difficulties meeting the targets in there, we seem to be on target, and we should be

able to report significant progress. I could provide for the record that timetable; it might be useful to you. Because until we can get good financial management and good records, you don't know how much revenue we are generating and we don't either, and that has been part of the problem. And also being able to control costs and know what the costs are to be able to appropriately charge costs. So, that is one side.

The other side is the timetable, then, for getting the fair market value and where that is, and I would like to, if I could, turn to Mr. Bschor and also Mr. Craven to kind of give you some sense of what that is, and, if necessary, to provide you any detail for the record.

Mr. Wamp. But before you do that, when you are looking at that first piece, which is better internal accounting, what are you going to do in the next 12 months to complete that internal accounting process, so that that is no longer an issue that we have got to get our internal house in order and know exactly where the beans are and how many there are and what we need to do, and then let us talk about how you can make progress in the next year and report back to us?

Mr. Stewart. One key thing, by this time next year, we should have fully implemented the Foundation Financial Information System which meets the requirements of the Federal financial managers Accounting Standards Advisory Board. Our expectation is--and I believe we are still on track to do that--to have a clean financial opinion by the end of the year 2000. There are a lot of intermediate steps to that that we would--in terms of being able to report progress on how well we are doing, but those are two key things. One is, is implementing the system and the other is getting the clean financial system. That will all occur--the full implementation is supposed to be in October of this year, and the clean opinion, then, using that system, the end of that Fiscal Year, it should be the year 2000.

Mr. Wamp. Good. So, during the 106th Congress, let us try to do the internal stuff; get it done in the first year; have that out of the way; be making progress on increased revenues, and then one of you all is going to add something to that?

Mr. Stewart. And if it would be useful to you, we can provide some details of some of the timetables for the record.

Mr. Wamp. Please do.

re-engineering team

Mr. Bschor. Mr. Chairman, we have several initiatives going on relative to the second part of your question. We referred to earlier--the committee referred to it earlier. In the recreation arena, we have the Fee Demonstration which you are very closely monitoring, and we are monitoring also, and we do have ways of determining what the results are and what the effects are of those individual projects.

There is also an effort occurring which maybe Mr. Craven might want to talk about in more detail if needed, but we do have a re-engineering team for land uses that has been meeting for some time--I don't know how long for sure--but they are close to having some report for us to help us with that aspect of the general Land-Use Program.

Also, we do have--as was mentioned in our testimony--the cost-recovery regulations effort that Mr. Stewart mentioned in his testimony.

Mr. Wamp. Okay. Mr. Craven, that re-engineering team?

Mr. Craven. Yes, maybe if I can expedite that. The re-engineering team has been in place for roughly a year, year-and-a-half. They have gone through and looked at all our special-use activities in the Forest Service. They have made quite a number of recommendations on how we can improve our management and administration of that particular effort. It is a sunset team; they are to disappear at the end of September of this year.

Some of the major types of findings that they have come up with is that we need to utilize our scarce skills a heck of a lot more efficiently. We need to have a different management attitude towards a lot of these special uses. We need to get on with our data collection and financial management aspects of that, and, in that regard, we have implemented what is called a special uses data system, or what used to be called a forest land-use reporting system and getting that updated, so that we can get accurate billing information, if you will. And, again, that is on a one-year time line. Our cost-recovery regulations draft this summer and the final, first part of Fiscal Year 2000.

And then we have a number of other independent initiatives regarding market assessments, for instance, on the hydro electric. We are conducting a market survey there, and we will be coming up with some estimates of what the rental value should be for those hydro power within the next six to nine months. We are going through our whole Linear Rights-of-Way Program activity there to determine, again, fair market value instead of just the per-acre fee that we are charging right now.

And, then, as far as our cost recovery goals, that came out of our special uses re-engineering. We are also trying to take a very close look at how much it does really cost us to do a lot of these activities, and they are costly, much more costly than they used to be.

Mr. Wamp. Mr. Stewart, on a \$15 million annual recreation fee and \$18 million annual communication fees, that says over the next 3 years, you could get it that high. Do you know specifically--or what are your targets specifically when you will be able to say, ``We achieved these goals for annual revenues on those two areas?''

Mr. Stewart. I will try to get an exact time frame on the communication site fees, but on the rec residence, we are in the second year of a five-year effort to get all the appraisal work completed and get the fair market assessments done. Then, it will be a 20-year--then, it is on a 20-year cycle for reappraisal. We have been limited, yes, by having the appraisers, and, of course, we are also having some dispute and discussion, if you will--it is controversial, some of the appraisals. As far as the communications sites, let me ask--2002--for the schedule on that.

Mr. Wamp. Without doing it here, if you could, for the record, submit as clear a program with evidence of where that revenue is going to actually come from.

Just as soon as you can get that to us to make sure that we match up your assets, your programs, with the potential revenue, so that we can monitor it closely, so, again, we don't slip many years here before we actually achieve these targets. And, then, we will all be successful.

Mr. Hinchey.

Mr. Hinchey. Thank you very much, Mr. Chairman. Gentlemen, I think that the primary aspect of your responsibility, obviously, is the maintenance of the resource to make sure that it is up to where people expect it to be and maintain it very, very well, and I think you do a very good job in that regard.

Some questions, of course, arise about the revenue-generation aspect of the program, and I think they are legitimate, and you have said so yourself. So, the question is how do we proceed in order to make those improvements?

I would like to see a chart like the pie chart behind us based upon not the number of uses but the amount of revenue generated per each type of use, and I think that would be helpful to us if you could produce that.

Secondly, I think it is important to make a distinction between the kind of charges that are being levied. On the one hand, you have charges for people who are just coming and using the program, ordinary citizens engaging in ordinary personal activities, whether it is hiking or skiing, whatever it might be as opposed to the users who are interested in generating revenue for themselves, such as the people who operate the ski slopes and lease the land, the telecommunications uses, and things of that nature. I think we ought to have a clear distinction as to what those sources of revenue are, one as opposed to the other in addition to the distinct categories of revenue generated per each use, so we could better understand this problem.

And, then, I think it is just a matter of either your doing the job, frankly, and getting the appropriate revenue out of these sources. Now, if that is a matter of the Congress allocating more funds for you to do it, I think that we have to live up to that responsibility. One of the questions that was asked earlier--maybe Mr. Wamp raised it again in my absence--was the question as to why the Department didn't ask for additional revenue in this particular budget or why the administration isn't asking for additional revenue in this particular budget? I don't expect an answer to that question at this particular moment, but it is a very valid question, and it is one that needs to be answered, and I think that the members of the committee ought to be provided with an answer in writing as soon as possible.

So, those are the things that concern me. I think that we ought to leave this oversight hearing with some clear understanding of how the problem is going to be corrected. If it is a problem that is amounting to several hundred millions of dollars a year, which it may be--we heard that from GAO just a few minutes ago--then it is a problem that starts to be serious, and I think that the message has got to be conveyed to the men and women on the ground, the operators of the specific forests, that relationships with concessionaires have to be arms-length in every single instance, and that a system of closed bidding ought to be implemented immediately. There ought

not to be anymore open bids with simply one applicant sitting across the table from the Forest Service representative.

timber bidding process

Mr. Dicks. Could you yield just to me for a second?

Mr. Hinchey. Yes, sure.

Mr. Dicks. Why isn't that done?

Mr. Stewart. At some regions--first of all, the law has allowed flexibility, and we generally allow the local manager to make the determination. Some regions have gone----

Mr. Dicks. Why don't you just tell them to do it the way--this other way, if it is going to generate more income, why not just do it that way?

Mr. Stewart. In fact, many of the regions already do. I think that was Mr. Taylor's observation; why he didn't see this as an issue, because Region 8, I believe, is one of the regions where they just regularly do a sealed bid, and, certainly, we need to do more of that. There are probably still some local situations where it would make sense to have an open bidding process, but we are clearly going to do more of it.

Mr. Dicks. But it seems to me the estimate was \$11 million a year that is being lost? That doesn't seem to me like--if that is true, then why are we doing it? Why not just require everyone to do it and not lose that money? Unless you dispute what the GAO is saying.

Mr. Stewart. I think that the issue--since there is no way--I have a science background too--so there is no way to do a controlled experiment; you either do it all one way or you do it all the other in any one market to know----

Mr. Dicks. The GAO did one on you. They did a controlled experiment, and they say that you are losing \$56 million.

Mr. Stewart. But for the--about \$11 million they estimate for the sealed bid process----

Mr. Dicks. Okay.

Mr. Stewart. I think there are opportunities to do----

Mr. Dicks. Eleven million dollars a year.

Mr. Stewart. Yes--to do, certainly, more of the sealed bid process, and I believe that is what we are coming forward with saying we are going to do. But there may still be situations where it would be more advantageous to still allow the other process.

Mr. Dicks. Thank you for yielding.

Mr. Hinchey. It is my pleasure. I think the point has been made, and I would like to just, at least out of curiosity, know what those instances would be where a sealed bid arrangement would not be more advantageous, and under what circumstances--so, we could understand the situation better, and we could understand the reason why you would make that kind of a judgment.

Mr. Bschor. I can think of a couple of examples where you have a resource job to do or a recreation project to do or whatever, and it is essential you get it done in a time frame that is immediate or within that fiscal year. There are times where you might want to still use that tool to get the job done even though you don't maximize your revenue because you have got a resource problem to fix or something like that. That is

what comes to mind to me.

Mr. Hinchey. Well, I can understand that. Certainly, there are instances such as that that have to be done in that particular way for emergency reasons or something akin to an emergency. But if you are operating a bid arrangement for a long-term lease to run a ski slope or, as Mr. Taylor said, an operation to lease donkeys to go down into the canyon or something of that nature, then I can't see any reason why that would not be done on a closed-bid basis.

Mr. Stewart. It is specifically in the timber area which was the issue that we were talking about when we use a bidding process, the place where the biggest opportunity to see potentially larger revenues generated is where you have no competition; you have got essentially one person coming to the table. That doesn't characterize most of our markets. In fact, during times of tight supply, having an open bidding process where you have the people at the table bidding against each other, can often generate more revenue. So, the biggest advantage--and I think GAO in their testimony pointed that out too--is in a situation where you have very limited competition. And it makes a lot of sense, then, not just to blindly go down and use a sealed bid process, but to allow open competition with the anticipation that the bidder is potentially knowing that there could be other people at the table, and they are going to have to at least beat their bid.

Mr. Wamp. Thank you. Mr. Skeen and then Mr. Peterson.

state and local government impacts

Mr. Skeen. Thank you, Mr. Chairman. What impact does this fee issue have with State and local governments? Do they get a share in this system that you have or not?

Mr. Stewart. The only exemption--essentially, the counties get 25 percent of all revenues. The only exemption to that is the one you granted in the Fee Demo Program in which case we are not required to return 25 percent back to the county.

Mr. Skeen. Well, has it become a real issue?

Mr. Stewart. There are some counties that have become concerned about the potential, particularly if this program grows. I will point out that the administration has proposed and will be coming back this year again with a modified proposal for not tying the revenues to the counties--or the money going to the counties to specific revenues generated off the National Forests. And that would tend to eliminate that issue if it were adopted.

Mr. Skeen. Another question I would like to ask is what is the specific problems you have had with the telecommunications system on leasing locations and things with antennas and things of that kind?

Mr. Stewart. Let me allow Mr. Craven to answer that question. Also, he brought to my attention that there are some other fees that are not subject to the 25 Percent Fund. So, it is not all revenues generated.

Mr. Craven. Thank you, Mr. Skeen. On the hydro power fees by the Hydro Power Act, it is 37 percent can be returned--or is returned to the counties, back to the States, to the local governments from any revenue generated there.

Would you please restate your question on the telecommunications?

telecommunication fees

Mr. Skeen. Well, what about the telecommunications industry and their location of sites that you allow, and they are fee-regulated as well, as I understand it.

Mr. Craven. We have a communication site fee schedule that is working a lot better under our new fee schedule that we have entered into with the BLM. Again, we are going to reassess that fee schedule on a periodic basis, every five years, and there are some built-in inflator clauses there, but it is working a lot better now the way we have set up the fees on that.

Mr. Skeen. As you reassess them every so often, will it be yearly or----

Mr. Craven. Every five years for----

Mr. Skeen. Every five years.

Mr. Craven. Ten years, I am sorry. When we don't pester them, it will be on a 10-year period.

Mr. Skeen. Right, very good; very generous. What about grazing fees? Is grazing going to be allowed? Did you finally give it up or what is the situation?

Mr. Craven. I am not prepared to answer that question, sir.

Mr. Skeen. Well, it is a big issue in our part of the country.

Mr. Stewart. Certainly, we have not come forward with any proposal. I don't know whether the administration is planning to do anything. But, certainly, I don't know of anything we are proposing this year in terms of reevaluating that.

Mr. Skeen. Not in the cow business, then.

Mr. Stewart. Well, we still allow grazing, and we still collect fees for it, but in terms of looking at the fee schedule, I don't know if we are doing anything.

Mr. Skeen. If you could give us some idea of how you set your grazing fee schedule.

Mr. Stewart. We would be glad to do that.

Mr. Skeen. Thank you, sir. Thank you, Mr. Chairman.

Mr. Wamp. One other thought before we go to Mr. Peterson is if you have member concerns, heartburn for Members of Congress, about these fees, report to us so that we can monitor as well a concern from the Members whether it is the \$2 parking fee for fishermen that I referred to in my district or whether it is somebody from Colorado complaining about the ski fees that you are implementing. Give us any feedback we might not hear from our Members. They may be complaining to you and not saying anything to us. We need to know what is out there, and we can also, I think, help you explain better to other Members of Congress what we are doing and why we are doing it and how the revenues can help those particular sites.

Mr. Peterson.

entrepreneurial approach

Mr. Peterson. Well, I guess, I would like to question you a bit on--you have been criticized today and, I guess, ongoingly about not being very good at generating fees when opportunities

present themselves. Having 23 years of government experience and 26 years of business experience, I may be asking you to do something you have not been trained to do. Program managers who have lived on the appropriations process are not entrepreneurs; those two things are as far apart as you can get, and we are asking you to suddenly become an entrepreneur. Now, I am an entrepreneur. I ran a business for 26 years; I started it with nothing, and I look at every business challenge as an opportunity. But when you are a program manager dependent upon an appropriations process, you are crossing all your t's and dotting all your i's to keep the appropriators happy and keep the process and keep your money coming, and suddenly you are now being asked to generate your own. I am not so sure you should be able to do that without outside guidance.

Could we look at a group of some of the States that have been more successful and get some of their managers together and some private sector people together to guide you into this entrepreneurial process where you are attempting to generate more of your own income? Would that kind of help be welcomed by the Forest Service?

Mr. Stewart. In fact, I know it would be. It is interesting you mention that. The first really big opportunity we really had to be entrepreneurial on this has been the Recreation Fee Demo project, and we can't say enough about--not to pat you all on the back--the vision that there was. And, yes, it has had problems, but, you know, one of the things it required was the development of a business plan, and it was kind of like you said, ``Develop a business plan,' ' and somebody said, ``Okay, now what is a businessplan?' ' And the first round of those we had a lot of, I would say, mistakes made that created some problems for you and some of your constituencies and us too. We are trying to learn from that.

We have not had those kinds of skills. It has been people like me, foresters. I know something about natural resources but very little about financial resources or financial management. We have brought in now a chief operating officer. I think many of you have met Francis Pandolfi who was the CEO of a corporation. We now have a chief financial officer; we have never had that position before. That person is an accountant and knows business management. We are using some of our vacancies now to staff up with people with business acumen.

So, it has been a learning curve for us, but there is a lot that we could be learning from other people, so that we don't need to reinvent the wheel, and I agree, we would be very welcome to be put in touch with other entrepreneurial people in the public sector because the private sector often has different bottom-line purposes and so forth, and I think that the model probably is more in other public agencies.

Mr. Peterson. Well, I can just share with you--the ANF is my back door, and I just read an article in the paper over the weekend where locally they are trying to get a group of tourism agencies to join hands, and they were hoping the Forest Service could but they have no provision of becoming a part of that process where 10 counties and the Forest Service would pool their resources to sell the area and to actually advertise for people to come there, because it is really highly underutilized when you look at the beauty that is on the ANF and the Kinzu

Lake that is in the middle of it. It is just a gorgeous, gorgeous place. It is kind of lonely even on a hot summer day, and it shouldn't be. But we need flexibility for you to be doing those sorts of things.

fire assistance

And I want to shift gears on you for a moment, because I also know on the ANF, and I am sure it is true on all the Forest Service land, we don't have a provision to really help out the local fire department EMS people who provide a very vital service on very remote areas in the dead of winter where it is dangerous to go in very heavy snowfall, in zero weather, when people are lost, and people are harmed out there, and there are no roads that are plowed to get in. We have emergency people who risk their lives to help visitors in our forests, and, yet, we don't help them maintain the ability to do that. Is there some way in this process we can think about the emergency service people and the fire departments that really provide virtually free service for public land? Don't we have the means of subsidizing their budgets a little bit?

Mr. Stewart. We do have some authorities to do that. One is the Volunteer Fire Assistance that provides money for, particularly, volunteer and local fire departments for equipment and training and so forth. Also, on the law enforcement side, and often law enforcement organizations are involved in search and rescue too, there is Cooperative Law Enforcement. They tend to be fairly small programs as they are currently funded, but we do provide some assistance whether the volunteer fire departments or others perceive it to be adequate, that is a question for them to answer.

Mr. Peterson. Well, I think dollar-wise, it is almost minuscule; I don't think there is enough there to really help them obtain the equipment they need and the training they need to--because it is some of the most risky stuff they do, especially out on the reservoir where you have different layers of ice. It is pretty dangerous stuff when somebody is out there and goes through the ice.

Mr. Stewart. I was just handed the--in the President's budget for 2000, the Volunteer Fire Assistance is \$2 million, and it is a new line item. Before, we basically had it all under Cooperative Fire, did we not, and this was sort of a part of it, but it was not independently managed. Now, it is a separate budget line item, so you can look at it and ask us questions.

Mr. Peterson. Can I have another minute or am I done?

Mr. Wamp. No, go ahead.

Mr. Peterson. The timber money, 25 percent goes to local government. How is the rest utilized?

Mr. Stewart. There is a collection usually made for the Knutson-Vandenburg Fund which is based on a plan for what is needed in the area. It can be used for basic reforestation, for wildlife habitat improvement within the sale or betterment area, for watershed improvement, those kinds of activities. Any excess over the 25 Percent Fund and the KV Fund goes to the general Treasury.

Are there any other collections--yes, they are salvage and

brush disposal, also trust funds established from that. But then, again, the excess goes to the Treasury.

Mr. Peterson. What percentage goes to the Treasury, do you think, normally?

Mr. Stewart. We can get you that number.

Mr. Peterson. But it is the majority, right?

Mr. Stewart. Not today, it is not.

Mr. Peterson. Really? Okay.

Mr. Stewart. I think the most recent timber report, the one from last year, provides that breakdown. We will make sure you get a copy of that.

Mr. Peterson. I guess the final question I would have is I would like to know why you would ever have an oral bid on timber? I just don't understand that. I just--being a businessman, an entrepreneur, if somebody is coming and wants to bid on it, they put it in writing and they put it on the table. If nobody else shows up, that is fine; they are the only bidder. But for them to know that and then orally bid, I think is just something as a businessperson I would never do. I don't know why you ever would unless the sealed bid process didn't work. But to start out with an oral bidding process, I think is a mistake.

Mr. Stewart. I would only say that the timber market had--at least in the public sector--had been treated more like a--I am trying to think what the equivalent in agriculture, a commodities market sort of thing--where there is often stiff competition for a limited supply in a local market, and I think that it was thought that having an open bidding process would allow the price to reach the maximum of what the market might be. Certainly, it is time to reevaluate that, and that is what we are doing.

Mr. Wamp. Mr. Dicks.

recreation fee demo

Mr. Dicks. Mr. Lyons said last year, ``The declining state of recreational facilities throughout the National Forest System have fallen into a appalling state of decay and cannot be used safely. Americans come to the National Forest expecting and deserving a pleasant recreational experience. If the maintenance situation is not addressed, the public will be disappointed in those experiences far more often. In addition, access to National Forest recreation will be more and more limited.''

Now, if that is the case, then why is the administration requesting level funding for recreation management which really amounts to about a 3 or 4 percent decrease in service? It appears the administration is relying on the Recreational Fee Demonstration Program to provide basic, needed services. The committee has promised the American public that the Fee Demonstration Fund will be used for backlog maintenance and enhance public service and not used to replace normal appropriations. The administration has also requested a decrease in their trail construction account from \$29.5 million this year to \$13 million. Can you explain this?

Mr. Stewart. In fact--and I am sure that when you have the oversight hearing on Rec Fee Demo, you will get into that--but

what is not included in the budget request, of course, is about an anticipated revenue to go towards facilities maintenance and customer service improvements and so forth of about \$25 million. And I would suggest that there is some truth to the fact that holding a budget for the base program constant and relying on revenue generation is an issue--that is what this whole hearing is about. It is a trade-off issue. It allows you to make investments in some other part of the program for the committee and for us also.

One the things the administration is going to be seeking is permanent authority for the Fee Demo Program, and I believe that expectation is to still hold the day-to-day appropriation level for the base program constant and to rely on fees to help us get on top of the backlog.

Same thing in the Trails Program. We now have the 10 percent Fund which allows us to take money, again, from timber sales and invest it in trails and trail maintenance, and so it does allow us to make investments in other areas and rely on revenue generation to try to do that.

I think that is really, as I said, the whole issue we are all sitting here facing is in a balanced budget environment; we suddenly realize there is no such thing as a free lunch. And, so the question is what are the trade-offs and how do we best make the investments and use the opportunities?

I would come back to the point that I made and try to reemphasize in my testimony that we need to be careful while we are doing that, because there are, obviously, very many opportunities to generate revenues off of that 192 million acres, but we need to do it in a such a way that it doesn't compromise wise stewardship.

Mr. Kingston [presiding]. Any other questions?

Mr. Dicks. Yes, I have got one for the record. I would just like you to tell us what would be the cost to the Forest Service in dollars and FTE's to collect the additional funds? If you could give us an estimate on that, that would be appreciated.

Mr. Stewart. Mr. Dicks, is that for all possible ones or is that for like an expanded rec fee? We have been talking about a number of opportunities to get fair market value. Would that include all of the opportunities?

Mr. Dicks. Well, I would like you to at least cover the major opportunities to give us a general idea of what would be needed to staff up to do this.

Mr. Stewart. We would be glad to do that.

Mr. Dicks. Was the idea behind the Demo Program to augment not replace appropriations?

Mr. Stewart. That is correct. In fact, our customer surveys tells us that the acceptance of the program would go down if they were used actually to offset the appropriation.

Mr. Dicks. Now, you guys used, I think in the questions, the Land and Water Conservation model which says that 15 percent--was it 15 percent for fee collection?

Mr. Stewart. Yes.

Mr. Dicks. Why not do the Fee Demo model which says 100 percent?

Mr. Craven. Let me, Mr. Dicks, take a shot at that. The Land and Water Conservation Fund model allows 15 percent of the

funds to be utilized by the Forest Service or by the agency at that site. We felt that until we get a better handle on our financial controls; till we get a better handle in terms of what the backlog is; how much it is going to cost us, and until we had our fee schedules and that in place, we were looking at 15 percent as being an appropriate level to start with. Eventually, yes, I fully agree that we would like 100 percent.

Mr. Dicks. And you have to have authority rights in order to keep this money, and last year, the BLM was given authority in some respects to keep these fees. Do you need that kind of authority as well?

Mr. Craven. Yes.

Mr. Dicks. So, if we want to do something about it, we are going to have to get you the authority to retain these fees.

Mr. Stewart. Let me jump in as I pass the mike down--it is my understanding, too, that we have no authority to phase in large fee increases. So, for instance, the recreation residences, we appreciate the fact that Congress stepped in to help us out really out of a predicament where you have large increases in fees, and I think that is going to be an issue increasingly we will face. As we do reevaluate schedules and get to fair market value, we could see dramatic increases, and they are going to need to probably from all--I mean, I got to thinking about if I were--if I suddenly got a tax bill for my property taxes that it doubled, I would probably make sure that everybody in accounting got fired. So, we are going to need to have authority to do that also, but I see Mr. Bschor wanted to add something if he could.

Mr. Bschor. The only thing I was going to add, Mr. Dicks, is that there are two authorities that we have other than the Fee Demo authority that you gave us, and those are previous authorities, and one you mentioned is the Land and Water Conservation Act, and the other one is the Grainger-Thye Act, and that is the one we use for campground concessions to collect fees there, and we can return monies back to the National Forests to decide. But those are the only two, so authority is one of the things that we really have to look at to make this work with the other uses.

Mr. Dicks. The President's budget includes a proposal to gain \$11 million from concession reform. Please explain in detail how this works?

Mr. Bschor. Yes, currently, like I say, we have a large number of our campgrounds under concession contracts right now through the--actually, they are permits--through the Grainger-Thye Act, and that is one area where we have seen about a 13 percent return which I think would match some of the State figures you heard. So, various reform for other uses would be a benefit, I believe.

Mr. Dicks. But the \$11 million, is that just an estimate? Or do you have to actually go out there and do that stuff?

Mr. Bschor. I can't answer that question, but I will get back to you with an answer.

Mr. Dicks. For the record?

Mr. Bschor. Yes.

special forest products

Mr. Dicks. Okay, the President's budget also includes a special forest products initiative which you claim will net \$12 million in new money. Can you please explain this project in detail? How exactly and precisely--and do this for the record--was the \$12 million figured derived? What revenue has been collected from these activities during each of the past five years?

Mr. Stewart. First of all, the revenue generation is an estimate based on our preliminary efforts of looking at what that specific proposal on special forest products might return, and we have had some hearings on special forest products, and, certainly, the value generated in the marketplace of these products is extremely high. In terms of the details of what the actual proposal would look like, we are still in the process within the administration of coming up with that, but we certainly would be I think able to provide you some information about what is being considered and the basis for the revenue generation.

Mr. Dicks. You know in our area, we have got brush; we have got mushrooms--what are all the--? I mean, there are lot of things.

Mr. Stewart. Brackenfern.

Mr. Dicks. We have a lot of people picking out there that may not have their permit too. So, this whole area could be an area where we could pick up some considerable amount of money. Thank you, Mr. Chairman.

Mr. Regula [presiding]. Mr. Kingston.

Mr. Kingston. Thank you, Mr. Chairman. I want to get back to Mr. Dick's question about the Trail Fund since it was cut from \$29 million to \$13 million. Are you saying that the administration is supporting more logging in order to increase enough fees to make up that difference? Where are they talking about getting that? I think the committee is certainly trying to do everything it can to help you with the fee, but I haven't seen any leadership on the administration's point. Are they going to wait on this?

[Pause.]

Mr. Stewart. The first part of that answer on increasing the timber harvest, that decision to use some of those funds for trail construction has not changed the offer. The timber sale offer is based on what we believe, given resources, given ecosystem concerns, is doable. And, so that has not influenced it. But there has been an offset, and I was just asking for some clarification of the numbers. I think I am going to have to provide it to you for the record, because I don't quite understand the table here, but, certainly, we will be glad to give you that information.

Mr. Kingston. Well, I guess my question is was Mr. Lyons speaking for the administration? Was he grandstanding? What is the problem here? If the maintenance so far behind, why is the administration only asking for 2 percent to 3 percent? What are we missing here?

Mr. Stewart. Well, recognize that some of the Rec Fee Demo money, for example, is also going into trail maintenance. In fact, that is where some of our really successful projects have been. Mr. Bschor was telling me that some of the early opposition to the Fee Demo Program when he was on the Mt.

Baker-Snoqualmie National Forest as a supervisor actually went away when people all of a sudden saw the trails fixed. And, so there are other sources of revenue being brought into it, too, so there is some balancing. While appropriated dollars may be going down, other sources of funding are going up.

Mr. Kingston. Well, is it the administration's intent to address the concerns that Mr. Lyons so abundantly expressed in public when they, the administration, requested this budget? Or did they feel like Jim Lyons can go run out and say whatever he wants in public, but their administration who he works for isn't going to answer his concern in their budget request?

Mr. Stewart. Certainly, I am not privy to what the response to Mr. Lyons' statement was. It is certainly our desire and concern to get our Trails Program in shape, and it certainly needs a lot of work. We are completing our first round of infrastructure inventories which are looking at improvements like roads and trails, facilities, and so forth, and we should be able to make a report of that as just what a--better information on what the status is. But, certainly, one of the advantages of the Rec Fee Demo Program is to be able to do that kind of work, and that has been, as I said, one of the more successful areas, I think, because you can see rapid improvement.

Mr. Kingston. Let me ask you this question on fees in general as a newcomer to the committee: Culturally, the Department did not really push fees because the money was appropriated, and that is probably how we got here, correct? And I don't say that as a criticism.

Mr. Stewart. I think that is certainly part of it. In general, the public is used to, at least on the National Forests, having fairly broad, relatively inexpensive or free access, and so one of the problems that has arisen from the Fee Demo Program is suddenly I heard charges that we are being forced to breathing the air on the National Forests, and that was because suddenly we had an entry fee which we never had before.

Mr. Kingston. Well, the GAO said that there are some national park facilities, such as the Lincoln Monument that won't be charged for; they are not appropriate to charge for them, and so forth, and I do feel that way about much of the forestry land; that you should be able to go there. And so I am not 100 percent sure that I agree with trying to make it a business proposition on all fees for all purposes, and I don't think that is the committee's intent anyhow.

Mr. Regula. If the gentleman will yield. What we are really talking about is when you are going skiing or whether you are on campsites. It is not access as such to the forest, but it is access to the facilities, and we don't get a fair return on that under the present arrangement. The visitor's experience is substantially enhanced if you take good care of the trails, the toilet facilities, the campsites, and so on.

Mr. Dicks. And the people seem to--at least in my experiences--that when they see that, and they know that part of the money is going to stay in their area and they also look at the cost of everything else in our society for recreation, this looks very reasonable, and they are willing to invest in it.

Mr. Kingston. Do you have a park land pass the way the National Parks do? They used to have a Golden Eagle pass that you would buy, kind of lifetime--do you have something like that or is that---

Mr. Bschor. Yes, we honor the Golden Eagle pass also. We are partners with the Park Service on that pass. The closest thing we have is in some of our Fee Demo projects, we have like a trail park pass that I am sure Mr. Dicks is familiar with. It covers more than one area, more than one forest. We have a ways to go as far as--as far as a national pass for the Forest Service, no, we don't have that.

Mr. Stewart. One of the concerns that has been raised by the public is that in many areas we have--again, this is a demonstration project, so it is not nationwide--but in areas where we have several agencies providing services that all happen to be under Fee Demo, people are confused by the fact that they go from one unit to another and have to pay another fee, and so we have been made aware of that, and we are looking at ways to kind of coordinate that effort, provide one point of contact for a fee that would give you access to many places. We are also looking at the idea of a national pass for all Federal lands, so there are a number of things being considered to look at that.

And I see two people who are willing to jump into this if--
--

Mr. Bschor. I just wanted to mention that I have personally been involved with the Park Service in the last couple of weeks to talk about that possibility as far as an annual fee, and so we are at least beginning discussions and realize that there is a need. One of the concerns out of the Fee Demo is just what Mr. Stewart said that there are multiple passes, multiple fees, and we feel we need to be looking at the customer's conveniences on this more than what the agency's convenience is and try to get on top of that. So, I just wanted to let you know we were in those discussions.

Mr. Kingston. Thank you.

public attitudes

Mr. Craven. If I might just add a comment, Mr. Kingston. I have noticed in my over 30 years in working with the public lands is that what we are seeing is sort of a convergence of a lot of forces. We are getting a major change in just the value of the land that we are dealing with. It is not any longer looked at \$200 an acre, \$100 an acre, old rangeland. I mean, you are talking in terms of thousands, tens of thousands, even millions of dollars per acre.

And we are changing a public attitude. What used to be considered free, open access in that anything that seems to smack of a exclusive use is viewed by others as saying they don't like that, and if anybody is going to use it exclusively then they have to pay for it. Virtually, for every person that comes in and complains about, say, the rec residence fees increases, we have five people that come in and want to know how they can buy those on the open market.

A lot of the activities that we have that are authorizations that are time-consuming and costly going through

quite a lengthy process to make sure that it is fair and meets all environmental standards, and that is what we are pushing for if we can to try to recover the basic costs of that, because once some person comes in, or a party, to our office, they trigger a process, because we have to give good customer service, and we try to not to delay them; to be expedient but at the same time make sure that we follow all the laws and regulations.

And so that is where we are trying to get cost recovery if we can for that, because--and, again, that is somewhat of an exclusive dedication of our services or our people to that person for the time we are processing their permits. But that is just what I have seen over the last 30 years.

Mr. Kingston. Thank you.

Mr. Dicks. I am done, Mr. Chairman.

Mr. Regula. Thank you all for coming. The GAO, as you can see, will be back on March the 3rd, and we will have--I guess all of you will be, and we will have a extensive hearing on the whole fee issue and opportunity to explore it in greater detail. I think this is a very significant point, and that is that these lands are suddenly becoming extremely valuable. We have taken them for granted.

You discovered that in Cumberland Island. That was just a-- I don't know what you would call it, but now it suddenly is pretty valuable out there. There are more and more people with more and more time, more and more desire to use the outdoors, and the same amount of land or probably a little less in some instances. So you are going to have some real tough challenges, as I see it, down the road here. And now is the time we need to put some management techniques in place to deal with that crush of desire.

An interesting comment--the people that have these houses and shacks--whatever you call them on waterways or lakes or so on--they love them, but the people that can't get access because they are not on the open market say, ``How about us?'' How to balance out all of this is going to be an enormous challenge for us policymakers and for those of you who have to implement it.

Well, thank you again for coming. We will see you March the 3rd.

The committee is adjourned.

[Additional questions from the committee follow:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Thursday, February 11, 1999.

DEPARTMENT OF ENERGY

STATUS OF CARRYOVER BALANCES IN THE ENERGY CONSERVATION PROGRAM

WITNESSES

SUSAN D. KLADIVA, ASSOCIATE DIRECTOR, ENERGY RESOURCES AND SCIENCE
ISSUES

EDWARD M. ZADJURA, ASSISTANT DIRECTOR, ENERGY ISSUES

DAN W. REICHER, ASSISTANT SECRETARY OF ENERGY FOR ENERGY EFFICIENCY AND

RENEWABLE ENERGY

Mr. Regula. We will call the hearing to order this morning. We are happy to welcome our guests. We have Susan Kladiva, the Associate Director of Energy Resources and Science Issues from the GAO, and she is accompanied by Edward Zadjura, Assistant Director of Energy Issues and Dan Reicher who is the Assistant Secretary for Energy Efficiency and Renewable Energy.

For the format this morning, we will have the testimony from the GAO and then from you, Mr. Reicher. Then we will take questions from the members.

The issues we have before us are that there are unobligated balances of appropriated funds that are not dedicated to any contract instrument and also uncosted balances of funds that have been dedicated to particular contracts but have not been spent.

What we are interested in is the problem created by that and why the uncosted balances remain at high levels, certainly much higher than recommended by GAO. The total of the unobligated and uncosted balances is estimated to be \$319 million for fiscal year 2000. The appropriation in that same period has been \$692 million.

These balances are troublesome because the Department of Energy has more money than it can realistically spend. That may be hard to believe, but at least that is the way the numbers come out. And even in 3 years, our funding for these programs has increased by 25 percent.

We are concerned that the Administration continues to request large increases for Energy Conservation Programs without seeming to be concerned about the large carryover balances. So we are going to hear from the GAO on the methodology for determining these balances and from DOE on what is being done to improve its financial management practices.

[The statement of Mr. Regula follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. Your statements in their entirety will be made a part of the record. We will appreciate your summarizing. So we will start off with you, Ms. Kladiva.

Mr. Dicks. Mr. Chairman.

Mr. Regula. Excuse me.

Mr. Dicks. I have taken a look at this, and I am very interested to hear what the GAO has to say about this. But if, in fact, the unobligated balances are 2 percent for the fiscal year 1998, and if unobligated balances for fiscal year 1996, 1997, approach this level, then in my judgment that wouldn't be a very serious problem.

It seems to me the issue here is not the unobligated balances--which we have dealt with this in the military for many years--but is this uncosted issue; and that is, why the money is not being expended. And I think the Department has a good answer here. So I hope that we will listen to both sides of this argument. Thank you.

Mr. Regula. Thank you. And, of course, that is the objective of the hearing. Please go ahead.

Ms. Kladiwa. Thank you, Mr. Chairman and members of the subcommittee. We are pleased to be here today to participate in this hearing on the level of carryover balances in DOE's Energy Conservation Program. Carryover balances are essentially funds from prior years that DOE has not obligated for a specific purpose or has obligated but not spent.

Some carryover balances are necessary to transition a program from one fiscal year to the next. However, we have reported over the last several years that some DOE programs had carryover balances that were larger than necessary to meet prior program commitments and could be potentially available to reduce DOE's budget request.

At your request, we will discuss the level of carryover balances held in the Energy Conservation Program and the trend of these balances since fiscal year 1997. We will also discuss our methodology for determining the amount of carryover balances that may be available to reduce DOE's budget request and how our methodology differs from the one used by DOE.

In summary, while carryover balances in the Energy Conservation Program have declined by about 11 percent since fiscal year 1997, we estimate that DOE's carryover balance at the beginning of fiscal year 2008 be \$319 million. Of this amount, we estimate that about \$74 million is potentially available to reduce DOE's budget request.

We believe that this is a conservative estimate of the potentially available balance in the Energy Conservation Program that merits further justification to the Congress. Our estimate, which is based on DOE-estimated fiscal year 1999 costs for the program, is above the target level of \$60 million that we feel is a reasonable carryover balance for fiscal year 2000.

Further, in calculating the amount that is potentially available, we excluded \$185 million in carryover balances because these funds were associated with grants and cooperative agreements that are often used to provide multiyear funds or awarded late in the fiscal year.

In determining the potentially available balance, we follow what is essentially a three-part process. First, we establish a carryover balance goal for the upcoming fiscal year based on the total funds the program has available to obligate. This year, our goal equals 15 percent of the new budget authority plus any unobligated balances from prior years. Second, using DOE cost estimates, we project the level of carryover balances that the program will have at the end of the current fiscal year. Third, after adjusting for unique program characteristics like grants and cooperative agreements that could affect the amount of carryover balance needed, we determined the amount, if any, by which the programs' carryover balances exceed the amount necessary to meet prior year commitments.

It is important to recognize that there is a legitimate rationale for retaining some carryover balances; for example, to account for the lag in time between when contractors or grantees spend funds and when they submit cost reports to DOE.

Historically, DOE and GAO have had philosophical disagreements about the methodology for determining carryover balances. However, we are making progress in reaching

agreements on some parts of the methodology. For example, for our fiscal year 2000 analysis, we worked closely with DOE officials to develop a carryover balance goal that can be used in our approach and that also takes into account all of the individual goals DOE has set for components of its program. Nonetheless, we still have some disagreements.

Overall, we continue to believe that our methodology is the correct one. A key difference between us is that we apply the goals to DOE's Total Obligation Authority, while DOE chooses to apply the goals to what it defines as Total Available to Cost.

Applying the goals to DOE's Total Obligation Authority, essentially the funds Congress has given DOE to spend, provides a stable goal against which to judge DOE's performance. It also accounts for DOE's often large unobligated balances. Use of DOE's approach assumes that a percentage of the uncOSTed obligations existing at the beginning of the year would again be carried over for an additional fiscal year. This is inconsistent with the assumption made in developing a goal for the uncOSTed obligations that would be needed only for a certain period of time, such as for a month for operating funding, before the balances would be cOSTed.

Further, DOE objects to the fact that our analysis does not identify specific areas that could be cut. We recognize that our approach for analyzing operating funds produces broad estimates and that we have consistently stated that these estimates represent a ``starting point'' subject to further justification by DOE. We believe that as the agency requesting the funds, DOE bears the burden of showing that it adequately manages its programs and that it is not carrying over funds into the upcoming fiscal year that are in excess of those needed to conduct the program successfully.

In summation, we believe that our methodology provides a conservative approach to identifying potentially available balances that merit further justification to the Congress. Essentially the \$74 million we identified for fiscal year 2000 represents the minimum amount that could be considered potentially available.

Mr. Chairman, this concludes my statement. We would be pleased to answer questions.

[The statement of Ms. Kladiwa follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. Thank you. Mr. Zadjura, do you have anything you want to add?

Mr. Zadjura. No.

Mr. Regula. Mr. Reicher.

DOE Opening Remarks

Mr. Reicher. Thank you, Mr. Chairman. I am very pleased to be here this morning, members of the subcommittee, to talk to you about the progress we have made in managing uncOSTed balances for our programs, specifically those programs funded under the Interior account. I want to talk about the steps we have taken to reduce these balances and our new initiatives to continue the progress.

When I became Assistant Secretary a little over a year ago, Mr. Chairman, you and your staff shared with me your concerns about the management of our programs, citing financial management, procurement practices in particular, as requiring further attention.

One specific area which is the subject of this hearing is, in fact, uncosted obligations. And overall, I think we have made significant progress in this area, reducing our uncosted obligations for Energy Conservation Research and Development Programs by 38 percent between fiscal year 1996 and the beginning of fiscal year 1999.

However, I want to quickly admit we can and will do more, and I am going to describe a specific action plan today that will allow us to continue this downward trend.

As you know, carryover balances are the sum total of ``unobligated balances'' and ``uncosted obligations.'' An unobligated balance is the budget authority that has not been committed for goods and services, essentially the dollars that are not yet committed under contract or agreement. We haven't reached an agreement; we haven't set a contract; and we haven't obligated those dollars. Those are the unobligated dollars. The Energy Efficiency Programs have historically obligated virtually all of the funds appropriated each year.

On the other hand, uncosted obligations equal the value of goods and services on order that have not yet been delivered and for which payment has not yet been made by the government. They represent a commitment for the purchase of goods and services. All of the uncosted funds in my office have been obligated previously through legally binding contracts or agreements signed by Federal contracting officers. Once contracts are in place, DOE and its management contractors place funds into particular accounts to pay out to our contractors and subcontractors as they submit invoices and as they deliver on the agreed-upon technical work. These funds appear as uncosted obligations, the key to this hearing, until they are finally disbursed.

In recent years, GAO has expressed concern about the size of DOE's uncosted balances, suggesting they could, and I emphasize ``could,'' represent amounts that would be, quote, ``potentially available'' for offsetting or reducing requests for new budget authority. However, GAO officials stress that the formula that they use to determine funds which are potentially available is, as you just heard, merely a starting point for analysis. GAO representatives concede that a determination of the appropriate level of uncosted balances is not a simple arithmetic exercise but that such a determination requires substantial analysis and judgment to determine if the funds are truly available to offset a future budget.

GAO's analysis is based upon the assumption that the funds in question are obligated and costed in a manner which is consistent among all types of DOE programs. Our programs, however, under the Interior account, differ from many other in DOE because they rely heavily on contracts and subcontracts with industry, universities, and other entities in conducting our R&D. This reliance on contracting and subcontracting with industry is essential to bring new technologies into the marketplace. However, Mr. Chairman, the key to this is that

using this kind of contract approach with industry increases the level of uncosted balances.

In addition, we have sought to conduct our R&D by competitive mechanisms to the maximum extent feasible. These competitive mechanisms can also require additional time and cause additional delay, thereby driving up uncosted balances. The benefit, though, is the competition. You get the best products and services in the market.

In summary, uncosted balances are a normal part of doing business, and some level, as GAO says, must be maintained to ensure that programs are able to continue without interruption from year to year.

Based on our review of DOE's financial data, we have good news to report about our uncosted balances. Over the past 3 years, new budget authority for Energy Conservation R&D has increased by 8 percent, and the comparable uncosted balances have decreased by nearly 38 percent. This chart shows you the downward trend of uncosted balances, the upward trend of funding and we expect to see this trend continue. This calculation excludes formula grants such as Weatherization and state Energy Programs, as the GAO has just explained.

During my tenure as Assistant Secretary, we have taken a number of actions to improve management practices by the staff in our office. In recent months, the greatest attention has been placed on increasing competition and strengthening our merit review process. This is a way to better ensure how we obligate our funds, that they go to the right people, the best people who can do the work.

We also have focused on increasing the rate at which we obligate and cost our funds. In the coming year, we will intensify our efforts in this area. And I am announcing an action plan today that will assure our continued progress.

Let me outline the four steps of the action plan. First, I will strengthen the accountability of program managers in controlling uncosted balances. These are the people who report directly to me and have the day-to-day authority for spending the funds that this subcommittee provides. Effective tracking of uncosted balances and follow-up by senior management and program managers are essential elements in our efforts to reduce uncosted balances and to ensure that the balances which remain are necessary and appropriate.

During the past year, we have made actual significant progress. I will give you one example. With respect to the Interior funding component of the National Renewable Energy Laboratory, we achieved a 13-percent reduction in fiscal year 1998 alone. Moreover, in fiscal year 1999, NREL, the National Renewable Energy Laboratory, projects substantial reductions in uncosted obligations for the Interior portion of our budget as a result of continued management, attention, and focus.

Mr. Chairman, I have a letter from the director of the laboratory that I would like to provide you that goes through in detail the steps that he, working with our office, has taken to drive down uncosteds in the Interior account.

Mr. Regula. Without objection, it will be made part of the record.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Reicher. Thank you very much.

In the coming year, I plan to build on the lessons learned in successfully managing the National Renewable Energy Laboratory contract and focus increased attention on the reduction of uncosted balances by the other major national laboratories that receive funding from this subcommittee.

I also plan to ensure that my managers intensify their focus on uncosted balances by reviewing progress and problem areas at each and every monthly meeting that I hold with them to chart various management issues.

Also, I will review the progress of the managers in reducing uncosted balances and will include this criteria in their annual performance appraisal. There is going to be specific criteria in their annual performance appraisals that judge them on how well they are doing in further reducing uncosted balances.

The second point in the action plan is that I will improve procurement planning. In reducing uncosted balances, it is essential to process and obligate funds as early as possible in the fiscal year. The earlier we can obligate them, the earlier the work can start and the sooner we are going to get the bill so that they become, in fact, costed.

In fiscal year 1998, our program managers have made substantial progress in achieving earlier commitment of funds to laboratories and other entities. However, further progress can be made, and we are intensifying our efforts to ensure early obligation of funds.

We will take steps in coordination with our Chief Financial Officer and our procurement organizations to improve the planning and scheduling of competitive solicitations to assure the obligation of funds as early as possible in the fiscal year.

These steps will include an analysis of the distribution of our procurement workload to assure the most efficient and effective use of this support. The earlier we can put the competitive processes into play, the earlier we can make decisions about who is going to get the money, the earlier we can obligate it and the earlier we can ultimately cost it.

Third, I am initiating a review of our financial management and procurement practices by the National Academy of Public Administration. In response to your request, Mr. Chairman, we are working with the National Academy of Public Administration to undertake an independent review of our financial management and procurement practices. This review will address concerns expressed by you and other members of the subcommittee, including the extent of carryover balances, cost-sharing, and competition in our acquisition and financial assistance processes.

And fourth in our action plan, I am establishing a Management Improvement Team. I have recently taken steps to establish the team. Its mission will be to improve corporate management processes and procedures within our office.

The team will be cochaired by Debra Jacobson, one of my senior advisors, and Marvin Gunn, the director of our Office of Management and Operations. Both of them are here today. Ms.

Jacobson served as a counsel to Chairman Dingell's Subcommittee on Oversight and Investigations for 14 years and led investigations of government management and programs, and she brings a great wealth of insight. And Mr. Gunn has more than 25 years of technical and administrative management in DOE.

In conclusion, Mr. Chairman, I will continue to place a top priority on implementing best management practices to deliver the greatest return on the taxpayer dollars that you provide to our office. These practices include a major commitment to reducing uncoded balances further, consistent--and I emphasize ``consistent''--with sound financial management.

Thank you for the opportunity to testify today. I look forward to working with you, the other members of the subcommittee, and the subcommittee staff as we move forward in improving the management of our office. I will be pleased to answer any questions. Thank you.

[The statement of Mr. Reicher follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. Thank you. I have a couple of questions, and we will move to Mr. Dicks.

AMOUNT OF CARRYOVER FUNDS

Am I correct that, giving the most generous application to the balance challenges, that there is probably at least \$74 million still available in the first of the 2000 fiscal year?

Ms. Kladiwa. That is correct. And I would emphasize that we believe it is very generous; that we have allowed 100 percent of the grants and cooperative agreements to be excluded from any consideration on the basic assumption that many of them are multiyear and are not awarded until late in the fiscal year. But we know that doesn't apply to all of them. Nonetheless, we have removed all of them first.

Mr. Regula. You have been very generous in arriving at the \$74 million.

Ms. Kladiwa. We believe we have.

Mr. Regula. Mr. Reicher, in view of that, could we not reduce your budget request by \$74 million without harming the program?

Mr. Reicher. No, Mr. Chairman. The thing I want to emphasize today is that these are not free dollars. Too often, I think there is something of a confusion between unobligated dollars, literally dollars that we have not decided how to spend and not reached a contract to spend, and uncoded dollars where a contract has been introduced.

Mr. Regula. No, I understand that.

Mr. Reicher. What I am here to say is we don't think there is anything like \$74 million available, because every one of those dollars has been committed to an industry, a laboratory, or a State agency for work. And there are serious impacts that would result from a decision to take those dollars and apply them against future budgets. It could lead to the slowing of a contract, to the breaking of a contract. There are a whole host of consequences that flow from taking uncoded dollars and applying them to future budgets. So we disagree strongly that

there are those kinds of dollars.

Mr. Regula. Let me ask the GAO, --would you characterize this \$74 million as unobligated or uncosted balances or some of both?

Ms. Kladiva. It is some of both. Clearly the Energy Conservation Program, from its prior experience, does a good job of obligating the funds. Coming into fiscal year 1999, they brought only \$15 million that were unobligated. When we are establishing the balance, we are looking at essentially what do they have available to spend, what do they have available to obligate, and we are establishing our goal for what is a reasonable carryover balance goal on that basis.

I would point out that this year, in working with DOE, we reached an agreement to take into consideration that operating funds need only one month. There is generally only one month in lag time there, but for capital commitment, there may be as much as a 6-month lag time there.

We have developed a weighted composite average looking at how long it takes the M&O contractors that are internal and external, the subcontractors, the nonprime as well as the capital equipment. So we have taken all of that into consideration to come up with this composite 15 percent. I would point out that even coming up with the \$16 million that we think that at this particular point in time, that that is a point where we would like to get them to. And then if they can get to zero carryover balance from there, then we would suggest ratcheting down further.

But the other point is that the total amount of carryover, absent application of the goal, is, even taking out the grants and contracts, they have \$134 million that they are potentially carrying over. And of that, that is still almost 125 percent of what the goal is. So even taking the 60 out, they have got 74 left.

COMPARISON TO OTHER AGENCIES

Mr. Regula. What is your experience, as your office does a lot of different government functions oversight? Is DOE excessive in comparison to other agencies in terms of carryover?

Ms. Kladiva. I really don't know. I think that----

Mr. Dicks. I do.

Mr. Regula. Okay.

Mr. Dicks. I have got the list right here.

Mr. Regula. Okay.

Mr. Dicks. To answer your question, Mr. Chairman, I think they are very much on the positive side of this equation compared to Defense and a lot of other places where the unobligated balances are enormous.

I have a one-page summary chart.

Mr. Dicks. It has every single agency from 1998, 1999 and the year 2000. I will give you the number. Just take one, for example. Energy's obligated is \$9.792 billion. Unobligated is \$1.066 billion. And let us just take Defense. Defense obligated \$137.484 billion. Unobligated is \$37.5 billion. And each of these agencies is different. But when you look at the whole government, the total is obligated, \$661.019 billion at the end

of 2000; unobligated, \$307.231 billion.

Mr. Regula. It is possible that Defense has too much in carryover, too.

Mr. Dicks. Well, but see, the problem is when you are building a ship, you don't spend all the money in the first year.

Mr. Regula. I understand.

Mr. Dicks. But the way we do it is we put all the BA up front, and they take it out over the year.

Mr. Wamp. Will the gentleman yield? Mr. Dicks, will you yield for a minute?

Mr. Dicks. Sure.

Mr. Wamp. Will you tell us what the Department of Commerce is, so we more compare apples to apples?

Mr. Dicks. Department of Commerce, I am trying to get the right information here. Commerce is very low. Obligated is \$5.058 billion. Unobligated is \$41 million.

Mr. Wamp. The Department of Commerce, the Department of Energy, if you follow these departments, would be more closely related. Department of Defense is very, very different from the rest of these Federal agencies.

Mr. Dicks. Let me give you another one here just out of interest. It is Labor. Obligated is \$7.1 billion. Unobligated is \$14 million. It seems to me GAO ought to go over there and take a look at what is going on.

Mr. Reicher. Mr. Chairman.

SPECIAL PROJECTS

Mr. Regula. They probably should.

Okay. Mr. Dicks, I will be back to you.

I just have one last question, Mr. Reicher. To what extent does your organization use unobligated and uncosted funds to finance special projects that have not been specifically approved through the appropriations process?

Mr. Reicher. Mr. Chairman, we spend our dollars----

Mr. Regula. I understand that.

Mr. Reicher [continuing]. Obligated, uncosted, all of our dollars, are spent according to very specific budget codes. And when we make a decision to spend a dollar, there has to be alignment of that spending with the particular budget code that provides the dollar.

Mr. Regula. Could there be a special project that has not cleared the appropriations process?

Mr. Reicher. We have hundreds if not thousands and thousands of projects. So they are not specified at that level. And we have to make judgments, and that is part of the work between the Chief Financial Officer and our office to make judgments about these thousands of projects against a specific budget code.

Mr. Regula. Well, my concern is that it could be a slush fund that you may use for pet projects that may not have a lot of value in terms of your mission.

Mr. Reicher. And I appreciate that very much, Mr. Chairman. That is, in fact, why we have stressed over the last couple of years much greater competition for our funding. That is why, in fact, less and less of our dollars are going out without competition and without merit review. We put out a

solicitation, we say we are interested in doing ``X''; please apply. We put out a recent one; over 400 applications for our dollars. We then go through a very specific review process.

That isn't to say there aren't things that come up from time to time. We could get requests from the Hill. We could get requests from the Secretary. We could get requests from other agencies, from industries, about something that is needed to be done. We are looking at a breakthrough. If we spend a little more money, we could cause the breakthrough. We look for a new opportunity, a new problem that comes up.

What we are careful to do in those situations, though, Mr. Chairman, is to go back and make sure that we can link those dollars back to a specific budget code.

Mr. Regula. One last question. What percent of your projects have a match from the private sector or a state or another entity other than the DOE?

Mr. Reicher. I don't know the specific percentage, but in our R&D projects the State Energy and Weatherization is a different story because those typically are not done.

Mr. Regula. I understand that.

Mr. Reicher. But in the R&D world, a large percentage of our programs are cost-shared. And not only that, there is an increasing percentage of costs provided by the industry partner that is going up. So the amount of costs of projects that are cost-shared is on the increase. And the amount of the individual cost-share is on the rise. I can get you that specific number though.

Mr. Regula. And also get a breakdown for in-kind versus cash or thing of value, because in-kind is a little fuzzy.

Mr. Reicher. Yes, I understand that. We will try to break that down as well.

[The information follows:]

energy efficiency cost-shared contracts

A total of 52 percent, or 125, of the 242 contracts recorded for Energy Efficiency R&D programs in the Department's Procurement and Assistance Data System had cost-sharing. The 125 cost shared contracts included 62 with cost sharing of 50 percent or greater, 56 had cost sharing of between 20 percent and 50 percent, and seven contracts had cost sharing of 20 percent or less. A total of 117 contracts did not have cost sharing.

We expect that at the end of FY 1999 cost-shared contracts for Energy Efficiency R&D programs will increase to approximately 131 cost shared contracts with 65 having cost sharing of 50 percent or greater, 59 with cost sharing of between 20 percent and 50 percent, and seven contracts are expected to have cost sharing of 20 percent or less.

This cost sharing represents cash contributions from non-government entities. Additionally, parties to Energy Efficiency R&D contracts also make contributions in-kind. Information on in-kind contributions can consist of goods and services and is only available through the review of the active contract files at Headquarters and throughout the DOE field organizations which implement the Energy Efficiency programs.

Mr. Regula. Mr. Dicks.

Mr. Dicks. Thank you, Mr. Chairman. Again, I am not suggesting we shouldn't be looking at the size of uncosted balances, but I think some perspective might be in order. Government-wide, the total unexpended balances at the end of

fiscal year 1998 was \$935.7 billion, composed of \$628 billion in obligated balances, which means that it has been obligated to the purpose for which it is going to be spent, and \$307 billion in unobligated.

The DOE part of that in total, including both the programs funded in the bill and in the energy and water bill, are \$8.1 billion in obligated funds and \$2.2 billion in unobligated. At least 12 departments and agencies have higher unexpended balances than DOE. For virtually every agency, there are valid programmatic reasons why these balances exist. The existence of the balances by themselves does not represent bad financial practices.

Mr. Regula. Will you yield, Mr. Dicks?

Mr. Dicks. Yes I will.

Mr. Regula. When you mention other agencies, are you talking in terms of dollars or percentages?

Mr. Dicks. No, I am talking about----

Mr. Regula. You say other departments have larger balances, but they----

Mr. Dicks. We are talking about dollars.

Mr. Regula. You really have to talk about percentages of their budget to get an accurate comparison.

Mr. Dicks. Right. I agree with that. And we will be glad to look at that in that perspective. I agree with you on that.

For virtually every agency, there are valid appropriatereasons why these balances exist. The existence of the balances by themselves does not represent bad financial management. And in the scheme of things, the energy conservation part of the total is pretty insignificant. But the point is that--and I always like to try to--you know, when you obligate this money, it is obligated to a specific agreement, right, to spend the money?

Mr. Reicher. Correct.

Mr. Dicks. And then the uncosted part is because the money hasn't actually been reimbursed to the people who have spent money on the particular project?

Mr. Reicher. Correct. They have not yet delivered----

Mr. Dicks. The good or services.

Mr. Reicher [continuing]. The good or service, and we have not written them a check yet.

Mr. Dicks. Now, in trying to rush this, I mean, I can remember times when we would, at the end of the fiscal year, because Congress would whip these agencies, they would obligate money and spend it on things and waste the money. I mean, it was not done in a fiscally responsible way. These are not 1-year dollars; isn't that correct?

Mr. Reicher. That is correct.

Mr. Dicks. So they can be spent over a period of time?

Mr. Reicher. Correct.

Mr. Dicks. And so you are telling us that you are working as best you can with sound financial management so that you don't waste the money. I mean, the worst thing we can do here is tell them to go out and recklessly spend this money at a pace that would wind up in waste. That is what the American people hate more than anything else. I would rather have you spend the money on something that is valid and get the job done correctly, rather than trying to racehorse this thing and then wind up wasting money or obligating on things that we shouldn't

have done.

But now you are saying you are going to take all these steps again, these four steps to try and deal with this problem. In your professional opinion, do you think this is a real problem, or do you think that you are just being pressured by GAO and this committee? Do you think this is a valid problem? Why don't these people spend the money more quickly that you are giving them to? That is what I don't quite understand.

UNCOSTED V. UNOBLIGATED FUNDS

Mr. Reicher. Let me say it this way. There is essentially a first order and second order problem. The first order problem, most important problem, is making sure how we spend the money, how we obligate it, to whom we obligate it; do we use competitive practices, do we use merit review? That is the key question. The secondary, less important question is how fast we spend it. And that is what this whole uncosted balances issue is, where we----

Mr. Dicks. It is not really you spending it. It is the people you have given the money to, how fast they spend it, right?

Mr. Reicher. Correct.

Mr. Dicks. It is the fact that they are not spending it as rapidly that creates the uncosted balance.

Mr. Reicher. Exactly. What we are trying to do, to answer your question specifically, I do think that we should continue to reduce uncosteds to some extent. I think they can come down.

I wanted to point out two things. The Department, according to our recent report from our CFO, the Department's total uncosted balance is the lowest it has been in 16 years. And there have been dramatic, dramatic reductions in uncosteds represented by this chart, and they continue----

Mr. Dicks. Why don't you submit that to be in the record?

Mr. Regula. Without objection.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Reicher. So the Department as a whole is making progress. We are making progress. Let me give you two examples, though, because I think this would be helpful.

Mr. Regula. I think by your admission of what you are trying to do is indicative that there is a problem. You are trying to remedy a problem that you have become aware of.

Mr. Reicher. Yes, Mr. Chairman. Let me say we should continue to bring our uncosted balances down to some extent. We are on that downward trend. The question is how low do we bring them. And we have some difference with GAO about how low we bring them.

What we are, though, saying is that there is a huge cost associated with taking those uncosted balances and applying them to a subsequent year's budget. That is the real rub here. There is no doubt that we can obligate our money faster than we do. There is no doubt that we should cost it, we should get the work back and write the checks more quickly if we can, where it

is appropriate. But that is different from them taking whatever that appropriate level is and applying it to a subsequent budget, because that has serious impact.

Let me, quickly, two examples: One of our laboratories, we entered into a 5-year lease for space. Part of the lease, a legal agreement, says we have to obligate all 5 years in the first year. So we obligate 5 years' worth of lease payments. So we suddenly have these huge uncostered balances that we start with that we then only work off year by year. If we were to go in and take those dollars, the entity we are leasing from would say where is the money. And we would say, well----

Mr. Regula. You keep addressing uncostered balances. How about unobligated balances?

Mr. Reicher. In the case of unobligateds, as we said, we have worked very hard and we have been quite successful.

Mr. Dicks. You are down to 2 percent on unobligated; is that correct?

Mr. Reicher. Or less. And I expect that this year we are going to go even less than that.

Mr. Dicks. I think that is a pretty good record, Mr. Chairman. If they are obligating the money, what is really happening here is that all these agreements that they enter into, they are not spending the money as rapidly. Therefore, it creates this uncostered balance.

Mr. Regula. We have two different problems here.

Mr. Dicks. I don't think there is any magical solution here.

Mr. Regula. You have uncostered and unobligated balances. They are two different situations.

Mr. Dicks. Right.

Mr. Regula. I would like the GAO to comment on the dialogue that is taking place here.

Ms. Kladiva. Well, we certainly agree that the movement that the program has made is in the right direction. They have made some reduction. When we started looking at shining the spotlight on DOE carryover balances at the end of fiscal year 1995, the Department carried over \$12 billion and the appropriation that year was \$17.5 billion.

So we recognize that you need to shine the spotlight on, you need to be asking the questions, and you need to be managing what is happening with the carryover balances, specifically in the costing process.

I don't think that there is good data on how long after the obligation is made until all of the costing is complete against that obligation. It needs to be managed because until you get the costing, you don't know whether your obligation is overstated or understated.

The Department of Energy has a unique situation because they have no-year funds. Most of the executive branch agencies are dealing with 1-year obligations or 3-year obligation authority. They know they have to get the money out. But they also have a basis and a reason to be tracking what is happening with the costing. If they don't get it costed within a certain period of time, generally the 5 years after the close of the appropriation, then they are going to have to pay. If they have got the legitimate and legal obligation, they are going to have to pay out of their current year funds.

At least it gives an incentive to track and manage what is happening with costing, and that is our principal point. It is just to keep an eye on it. Otherwise, until we started looking at what DOE was doing, we felt they had no incentive to really manage and try to get the costing completed.

Mr. Regula. We seem to be in agreement.

Mr. Dicks. Mr. Chairman, let me finish up. Everybody wants to ask questions. You had a second example. You gave one. Give us the second example.

MULTI-YEAR PROJECTS

Mr. Reicher. It is probably a better example. We have a major R&D contract with the automobile industry, suppliers and the Big Three, on the next generation of vehicles called ``hybrid vehicles.'' And this is a multiyear contract. What happens in this multiyear contract is that, again, we obligate over those multiple years, and then it is costed against that as the work is performed.

Mr. Regula. So that is an uncosted balance.

Mr. Reicher. Correct. Now, what I want to point out is that the nature of R&D--and it is indeed why DOE in some respects has no-year money--the nature of R&D is unpredictable. We don't know when the lab breakthrough is going to come. We don't know when we are going to get delivery.

It would be, I think, poor management to try to force these systems into little boxes. We have got to let this kind of R&D work go at a pace that is appropriate. When they get to the point where they can deliver something, we pay them. So I think that is very important.

I do want to say that GAO, their oversight of the Department with respect to overall balances, uncosted balances in the Department has been helpful. I have been at DOE now since 1992 in various positions. And I have to say that it has caused us to focus appropriately on uncosted balances. And it is, in fact, one of the reasons, not the only reason, that the chart I just showed you is on the nice downward slope that it is.

So I think we are managing this better because we are focused. GAO has helped us focus. But I go back to the earlier point, which is there is a big difference between that and taking these uncosted balances and applying them to subsequent budgets.

Mr. Regula. Mr. Skeen.

Mr. Skeen. Thank you, Mr. Chairman. I want to compliment you on holding this oversight hearing. Quite frankly, I can't understand why the program needs a 20-percent increase in funding while we have energy producers that are facing bankruptcy in New Mexico and other oil-producing States causing historically low oil prices.

These towns and communities in New Mexico are being hammered by these oil prices, and I don't see any programs from the Administration to help them. As a matter of fact, I could stage a filibuster with the facts and figures about how bad things are with our domestic oil industry and hardly a peep out of the Administration has been forthcoming.

I know that energy conservation is the topic of this

hearing. I just want the Administration to go into southeast New Mexico and explain why they need a 20-percent increase in energy conservation funding while at the same time millions of dollars of money is already being carried over each year in the Energy Conservation Program.

I also find it difficult to support these types of increases when this Administration has supported these programs and alternative energy research at the expense of traditional forms of energy research.

Now, I am listening closely today and in the days to come in an attempt to keep an open mind on the President's energy budget. It is not easy. I have contacted Secretary Richardson regarding the subject of economic disaster in oil country, and I reiterate my offer to work with him to help the thousands of citizens who are being economically damaged by this crisis. And the Administration's budget is seemingly ignoring it.

I thank you, Mr. Chairman. And I have a question I would like to ask the GAO. How does the new DOE plan sound to you, the one that Mr. Reicher has announced today?

Ms. Kladiva. Again, sir, we are very pleased to see the Department focusing on its carryover balances, and we are going to be most anxious to see how in practice what effect it has.

Mr. Skeen. We will be most interested to see how in practice the program works. I have relayed my concerns about this very serious issue. We have got enough disasters in agriculture and elsewhere, but seemingly the oil business is one of those areas that seems to be self-protected and self-producing. Nobody has paid attention, but it has become a serious problem area. I am sure you are aware of it.

Ms. Kladiva. Yes, sir.

Mr. Regula. Do you have a comment, Mr. Reicher?

Mr. Reicher. Yes, Mr. Skeen. I understand----

Mr. Skeen. We have got an itch. Can you do anything about it?

Mr. Reicher. I think we are trying across our various programs. And indeed, even within this energy conservation account, I just want to emphasize we are doing work with the oil industry within this energy conservation account. We have both got projects to reduce the cost of producing oil domestically, looking at literally the energy efficiency of oil production.

Mr. Skeen. What technology items come out of it?

Mr. Reicher. Motors, pumps. You know better than I, one of the costs of pulling oil out of the ground is how much you have to spend in terms of energy to do it. And we are working with the oil industry.

Mr. Skeen. Correct.

Mr. Reicher. The second big focus with the American Petroleum Institute, again under the energy conservation account, is the cost of oil refining. And we are working with the major refineries, beginning some major work with them, to cut the energy costs of producing gasoline and all the things you get out of a barrel of oil.

And that is separate from the work that goes on in our Fossil Energy Office where, of course, there is quite a focus on helping to improve the technologies for both oil, gas, and coal production.

So I understand the problem. And world oil prices being what they are, it is a very difficult situation that we face. But we are mindful of it. And particularly, the Secretary is very mindful of it and committed. And we are going to do our piece within the energy conservation account to address it.

Mr. Skeen. Is there any relevancy in the study being done about the importation of oil, how this has affected our own domestic productions?

Mr. Reicher. To be honest with you, I think I am out of my area of expertise. And if I were to step into that----

Mr. Skeen. That makes two of us.

Mr. Reicher. I am not even in my area of expertise.

Mr. Skeen. I thought you could help me out.

Mr. Reicher. We can get you that information, and we will get that to you.

Mr. Skeen. Very well.

strategic petroleum reserve

Mr. Regula. There is an interesting development this morning. We have been advised that the DOE will receive oil to fill the SPRO in lieu of royalties paid to the Minerals Management Service for oil production in the Gulf of Mexico. The DOE is going to take oil, put it in the SPRO instead of receiving cash royalties.

Mr. Dicks. That will help the industry somewhat, I hope.

Mr. Regula. I think that is the objective. I think it is a good move.

Mr. Reicher. I am glad to hear that was announced, and I know the Secretary has been working very diligently on putting that whole plan together.

Mr. Regula. Mr. Wamp.

Mr. Wamp. Thank you, Mr. Chairman. I do also think this is a good exercise because the lack of oversight hearings like this is possibly what led to the uncoded, unobligated balance problem that we had in 1995. And so it is important that we continue to work together.

I also want to make a point that I know Secretary Reicher. I have worked with him now for a number of years. I have great confidence and respect in his work and for his work. But I also understand that our Majority staff and the Majority members here, we are not recommending some of the more vigorous measures; like I understand Energy and Water doesn't even allow more than a 1- or 2-year window on dollars to be committed.

And this is a legitimate and debatable issue because research, particularly, has to be funded on a longer-term basis than a year or two.

But then again, Mr. Secretary, you said that there was confusion on this unobligated, uncoded issue. And I do think that the programs that you implement help eliminate that confusion as we go. And I know just as a new Member, 4 years ago, wading into very complex DOE issues, it took me a while. And I kind of pride myself at trying to understand it, sitting down with it. It took me a while to follow this. So we want to encourage your continued work on eliminating the confusion.

One of my questions to GAO is more specifically on grants and cooperative agreements. How can--beyond maybe what he said

today, laying out his four principles and his agenda items-- more specifically, what can they do? Or can you be more specific on grants, cooperative programs, to, (1), eliminate the confusion, (2), to carry over fewer and fewer dollars to try to hit your \$60 million target per year?

And maybe a follow-up question: Is 60 too high? I mean isn't it maybe twice what other agencies are called on when you are looking at a 1-month carryover versus a 2-month overall carryover? It is 8 percent on some agencies, I understand, and you are saying 15 percent. Is that just because we made a lot of progress? Do you want to try to get to 15 and then maybe go lower?

Ms. Kladiva. I would underscore that we do think that until we get to 15 percent, that it is not too relevant to look lower because we are so far above 15 at this point. Your point is well taken that there are different activities that go on within the Department.

While we have given them credit for all of the grants and cooperative agreements as though they were all multiyear and they all went out late in the fiscal year, we think that the emphasis on those activities should be in getting them to happen earlier in the fiscal year. That is something that Mr. Reicher has alluded to, that they are focusing on trying to get the grants out earlier in the year.

I would also like to say that our application of the 15 percent to establish the carryover balance goal is not a mindless application of a number. In effect, we place no limit on the unique characteristics that DOE tells us that these programs have. So he indicated, for example, a 5-year lease where they had to fund all 5 years up front.

When we do our analysis, in addition to taking out 100 percent of the grants and cooperative agreements, if he had indicated that this is an area where we should also take it out, if it is a unique characteristic of the Energy Conservation Program and therefore it shouldn't be held against them--we would not have taken that out also.

So we place no limit on the unique characteristics that the Department can demonstrate to us that we will give consideration for in establishing the carryover goal.

The other thing is to say that we also use what DOE is estimating that it is actually going to cost in fiscal year 1999 in the Energy Conservation Program. Even after that, they have got \$74 million that they are not indicating that they will be costing in fiscal year 1999. They have also got some portion that will be an obligated balance that will go from fiscal year 1999 and carried into fiscal year 2000.

Now, given that they are asking for a 21-percent increase in their budget, and this program has not offered them even \$1 as an offer of saying that from our carryover balance take this and offset our budget request, we think that some portion of that should be used to offset the budget request for 2000.

Mr. Wamp. That strikes at the heart at what this hearing ought to be about today is that those more specific recommendations for what we are looking at are right in front of our nose.

Secretary Reicher, just in closing, just do this for me. I know there is not a paranoid member of this subcommittee from

either side of the aisle, but there are probably paranoid Members out there that might say Secretary Reicher has the Kyoto controversial protocol issues under his jurisdiction. And any carryover funds, just let us know today that none of these monies, unobligated or uncosted, will be moved over to implement any unagreed-upon Kyoto-type stuff; that we can agree on PNGV and many other programs, but until we have more agreement on Kyoto, you are not going to spend any of this money, are you, Mr. Secretary?

Mr. Regula. We are not going to swear you before you give that answer.

Mr. Reicher. Mr. Wamp, I appreciate your comment. And it is the administration's policy that we are not spending dollars to implement the Kyoto agreement. Thank you.

Mr. Regula. Mr. Hinchey.

Mr. Hinchey. Thank you very much, Mr. Chairman. This is a very interesting hearing and an interesting subject. And it would be so at any time. It is particularly so occurring at a time when oil prices are at an all-time low. And so I can readily understand the interest that people have in the oil production industry and the issue of energy conservation at this particular moment.

And I think that it is the point that Mr. Skeen has made about the fact that we ought to have some concern about that particular issue from the point of view of the energy producers I think is a legitimate one, and we certainly ought to. But I think that we ought not at the same time to lose sight in the long range, of the understanding that it is in the best interest of our country to engage in Energy Conservation Programs that are comprehensive and effective.

And I think that it is clear, based upon what the Secretary has said about the history of these balances over the course of the last 16 years, going back to 1983, that they have been working very diligently to bring those balances down. And they are, in fact, now at a level lower than they have been at any time since 1983.

That doesn't mean that we have to relax our guard with regard to producing programs that will, in fact, bring about essential energy conservation, which of course is in the best long-term strategic interest of the country, given the fact that we are now dependent upon foreign sources for our oil, to the tune of more than 50 percent. In other words, to rephrase that, we are now importing more than 50 percent of our oil energy from places outside of the Continental United States. So energy conservation remains a very important issue.

I was interested to hear, if I am correct, that GAO is looking at the Energy Department in this particular context sort of in isolation, not in comparison to other agencies. And we heard Mr. Dicks say in that regard that energy is sort of in the middle range of all Federal agencies with regard to unspent balances.

And while I readily concede a point that Energy is very different from the Department of Defense, so too it is equally different from the Department of Commerce. And I would not expect the Department of Commerce to carry these kinds of balances because they do not engage in the same kinds of activities, same kinds of contracts, the same kinds of storage

facilities----

Mr. Dicks. Exactly.

Mr. Hinchey [continuing]. That you pointed out, Mr. Secretary, and things of that nature.

So it is very difficult to compare these agencies and come out in that regard with a clear understanding of what it ought to be, simply by making those comparisons.

I would just again draw attention to the fact that we are looking at a problem which, to the extent that it is a problem, it is a diminishing problem. And it is a problem that is much smaller than it was last year and the year before and the year before that, going back to 1983 at least. And we have the word of the Secretary that they are going to continue to move in that direction and the visual aid of the flowchart that demonstrates that.

So my question to you, Mr. Secretary, is: Can you tell the subcommittee with what degree of confidence we can take away from this hearing the idea that, in fact, you will be able to continue that trend and you will be able to increase the use of these funds in a material and helpful way?

Mr. Reicher. Mr. Hinchey, first of all, I can state today that we are going to very aggressively continue to work at this issue of uncosted balances. It is a top priority for me. It will be a top priority for the managers in my office. They are going to be monitored on a monthly basis, and it will be part of their performance review.

So we are setting up a new management improvement team. So I think we will do as good a job as we can to continue to bring these down, knowing that sound fiscal management does suggest that you don't bring them anywhere close to zero. You have got to land at a reasonable point.

Secondly, linking your statement and Mr. Skeen's statement, our office is very much focused on using traditional energy sources, oil, coal, nuclear, in a more efficient manner in cars, in homes, in industries, in the Federal sector. There is, I think, too often the sense that we are somehow engaged in some alternative effort. But we are the folks who take the electricity made from coal, made from nuclear, which are the two largest sources today, and when that electricity goes into a house, we are the folks that make sure we use it as efficiently as possible; or the gasoline that goes into a car, we are the folks that are supporting the work to make the most efficient use of that.

So I think this all fits together in a pretty cogent, pretty compelling way, the two important use views that are shared here this morning.

Mr. Hinchey. I would agree with that, Mr. Chairman. And I also take note of your observation a few moments ago that the Energy Department, not under your jurisdiction, but a different part of the Energy Department, is taking advantage of the fact that oil prices are at a very low level and adding to the strategic oil reserve.

Mr. Regula. That is a good move.

Mr. Hinchey. It is a very good move, and it is something we should certainly encourage, both from the point of view of long-term interest and also from the point of view of the energy producers, which is something, that as Mr. Skeen points

out, ought to be of concern to us.

So I think that is a message we ought to send back to the Energy Department, that we fully endorse that particular move and encourage it and would like to see it move forward very expeditiously toward an objective being the full revitalization of the SPRO, which we know has been drawn down very substantially back in the decade of the 1980s.

Mr. Reicher. Mr. Hinchey, I will take that message back to the Secretary and communicate that.

Mr. Regula. I would like to ask GAO a question, and then we will go to Mr. Cramer. You have said there is \$319 million of unspent funds, and you have tried to accommodate specific circumstances. You haven't taken them to zero by any strategy.

Ms. Kladiva. No, not at all.

Mr. Regula. You are saying after factoring plenty of protection, there is still \$74 million left. And of course, Mr. Hinchey, when we get to markup and we have a lot of projects we would like to do, maybe one in your district, that \$74 million will look attractive.

Mr. Hinchey. I am sure the temptation will be there. I will try to resist it.

Mr. Reicher. Mr. Chairman, just very quickly, one of the issues in taking some portion of that is that it actually affects projects, to be very candid, in other people's districts. One of the experiences we have had is when you go into a budget and you say we are going to have to slow a contract down, we are going to have to break a contract, we are going to have to do something, that actually comes home---

Mr. Regula. You are not talking about breaking contracts. You are talking about the uncosted balances. We are talking about the unobligated balances.

Mr. Reicher. No.

Mr. Regula [continuing]. And some uncosted, too.

Mr. Reicher. Seventy-four million is the uncosted, maybe with a very small amount of unobligated.

Mr. Regula. But you have---

Mr. Reicher. Those are dollars already under contract.

Mr. Regula. Do you want to comment?

Mr. Zadjura. Yes, I would like to comment. I guess I would like to say a couple things about the general conversation. We have done this for quite a few years. And to give DOE credit, they have done a lot better than when they were at 12 1/2\ out of a budget of 16 or \$17 billion. And that, in GAO's view, coming down is good in the sense of reducing your unobligated and your uncosted carryover balances.

But as you said, they do have \$319 million to carry over. When you take out the allowance, the portion of the program that we exclude, the cooperative agreements and the grants, which maybe they could do better on getting those out faster and costing them faster, but we give them a 100-percent exclusion on that right now. When you take that out, there is still about \$134 million. We say the goal should be about 15 percent of what they have available, or \$60 million. That is about 2 months' spending on average, 15 percent. They have more like 34 or 35 percent. They still have quite a bit of room to come down to before we even think they are where they should be at.

And at that point in time, I think it is the question somebody asked before: Should we look at why they are not doing a better job of getting the grants and cooperative agreements both out and obligated and then costed on time?

And in the sense of whether taking away the \$74 million or not will kill any project or not, this is what is left over after they told us what they expect to spend this year. So this \$74 million is not going to be spent this year.

Mr. Regula. So it wouldn't cripple them?

Mr. Zadjura. As our big boss has been known to say, ``We haven't heard them scream yet.''

Mr. Dicks. Mr. Chairman, wait a minute. Let us give him a chance here. The issue is do you have to break existing contracts to do this?

Mr. Reicher. If we were to take \$74 million and apply it against a subsequent budget, money that is already under contract or under cooperative agreement, that would have impacts. It could slow a contract down. It could cause us to have to renegotiate it. It could cause us in some cases to literally have to----

Mr. Dicks. I know, but the staff says you have never broken a contract before under this program when money has been taken away from you, that you have never broken a contract.

Mr. Reicher. Typically, to the extent money has been taken away, they have been very small amounts of money. As I say, I am not saying it is a sure thing. I just swallowed a bug.

Mr. Dicks. Do you want some water?

Mr. Cramer. We won't draw any conclusions.

Mr. Reicher. This is highly unusual. It was looking like a fruit fly. It was kind of sweet.

Well, excuse me, Mr. Chairman. There are a variety of impacts that would result. For example, in the case of this lease, we would have to go back and figure out how we are going to have to deal with this lease that has got----

Mr. Dicks. Wait a minute. She says that they have taken into account all of those kinds of expenditures, and not one of those would be affected in this 74 million. This 74 million is just sitting there.

Mr. Reicher. No.

Mr. Dicks. This reminds me of the NREL, by the way. It is just sitting there, that is not going to be--if you had to obligate and if you had cash flow and lease payments, all of that is counted here--that you have told her everything that you have got like that.

Mr. Reicher. Not at all.

Ms. Kladiwa. The point is he didn't tell us everything like that. That is the first we heard of it this morning. Had he told us of that, we would have in fact taken it out.

Mr. Dicks. Wait a minute. That is a different story. Now we have got a little conflict here about what--you said earlier, I thought, all of those things had been taken into account. Now you are saying they haven't been taken into account.

Ms. Kladiwa. If the agency had identified them to us, we place no limit on what they define as their unique program characteristics. This was not defined as a unique program characteristic. I guess from their view, it was business as usual.

Mr. Zadjura. Let me do some more clarifying on that. Whatever they offer up as a unique program characteristic, we look at. We don't buy everything unless there is a good reason and a good justification.

Mr. Dicks. Even if the money has been obligated.

Mr. Reicher. We are talking all obligated dollars here.

Mr. Zadjura. These are obligated dollars. We are talking about the uncosted portion, for example. Okay. I find it personally hard to believe that they would have to cancel or do anything else to their lease because there is a rollover amount of in excess of \$300 million that is carried over this year. Last year it was \$333 million. Of that, we set aside some stuff that may not be funded until way late in the fiscal year, which means those funds--there is a big amount of cash that is being rolled over, and this pool is only diminishing slowly.

Mr. Regula. Let us come back to this. I want to give the other two members an opportunity to speak.

Mr. Cramer. Thank you, Mr. Chairman. This is a great hearing, and I may jump right in the middle. I am a new member, and I am trying to keep up with this. And it is very interesting.

Secretary Reicher, I congratulate you on your presentation here today, not only today but, as well, issues that I am aware that you have worked on have been just what I think DOE should be working on.

availability of carryover funds

But GAO, right in line with where I think we were just then, this remaining \$74 million that you say is potentially available to reduce DOE's budget request, specifically, do you have any idea what the impact would be on Energy Conservation Programs if the Congress were to reduce that amount from the Department's 2000 budget request?

Mr. Zadjura. I mean, it is essentially money that right now, coming into this year is sitting in a pool. It is basically sitting in your bank account and is not going to be spent. Now, if it was a permanent reduction, it would have an impact. But if you reduce it because it is a carryover pool of money that sits there, and essentially if you will look at it as a bank account, and the pool is about \$300-some million, it would not have an immediate impact. It wouldn't require them to cut any grants or contracts that we have ever seen in the past; and this has been done in the past in programs with DOE.

Mr. Cramer. Mr. Secretary.

Mr. Reicher. Two things, Mr. Cramer. First, the dollars have been set aside to pay for work under contract. When you take those dollars, you have some effect on the work. And where I disagree with GAO is that this is just sort of a large bank account, because these dollars, as the Chairman knows so well, are very specifically tailored to very specific kinds of work. We have literally hundreds of budget categories we have to match up our spending against. And we simply can't reach into another part of our funding without getting into a lot of trouble.

When we face the necessity to find new money to deal with the fact that we have had to take money away from an existing

contract, you simply can't look into some other part of the account or we will get a letter from this subcommittee asking us why we moved money around in an inappropriate fashion. So it is much more technical.

And my point is that this--and GAO has admitted--this \$74 million is only the starting point for an analysis of uncOSTed balances. It is not the end. This is a projection that they make of where we are going to be in many, many months. If one were to actually consider taking some of these dollars, you would have to do a very careful analysis of each and every dollar and where you are going to find it and what the impacts are going to be on the contract or agreement that is already in place.

So where we differ with GAO is that GAO has made a projection with a fairly simple formula. What we are emphasizing here is that this has consequences and it has to be looked at in a very, very particularized fashion if any single dollar is to be taken away from an existing contract. I can't say to you that today that it is a sure thing we have to break a contract. It is a sure thing we have X, Y, and Z impacts. I can tell you today it would have impacts.

Mr. Cramer. It becomes a question whether it is a permanent reduction, doesn't it?

Mr. Reicher. It can have a permanent impact, and that is the key because the work might be slow. Now then, the question is, in some subsequent budget, can you fill back in with some dollars? That is not always clear. It depends on, again, the very specific categories and the amounts that are appropriated.

Mr. Cramer. If we don't appropriate \$74 million in the budget and we tell DOE to use uncOSTed balances, it will be permanent, and it will have an impact?

Mr. Reicher. Yes.

Mr. Cramer. GAO.

Mr. Zadjura. First we go right to the lease. No lease will be broken because our projections will be based on what DOE told us they are going to spend, which meant that they have obligated payments on the lease, and they are going to make a payment on it, it is included in our analysis.

So no money would be taken away from any lease. This is their projection of what they are going to spend this year, including things such as that lease. That is all included in the analysis. We get the numbers from them. I don't see how they could possibly say they have to go back and break this lease. The projections include the money for that lease.

Second of all, last year, they rolled over \$333 million, just to use last year and this year's analysis. If you had chosen to tell them to use some of their carryover balances, \$74 million, for example, because it happens to match the number, this year instead of rolling over \$319 million, they would have rolled over 319 minus 74, which would have come out pretty close to the target goal of \$60 million in carryover balances that we think they should have had.

We don't see any dire consequences for taking some of this pool of money on an interim basis. It is going to sit there, \$300-some million dollars are going to sit there this year unspent. They may need to be spent in the future, but it is not going to be spent this year.

Mr. Regula. Are you talking about fiscal year?

Mr. Zadjura. Yes.

accounting complexity

Mr. Reicher. Again, just briefly, it is not that simple, given the incredibly complex accounting systems that one has to use. And every dollar has to be accounted for and every dollar you take to spend against a future budget has to come out of one of our hundreds of accounting codes. And you then have to trace that and see what kind of impacts you would then have.

So it is not like your and my bank account where we simply have sort of overall authority to reach in and spend as we want. This does have impacts. And I take this not as the expert that some of my colleagues are, but in the Chief Financial Officer's office, this is the view that what we do is a very careful analysis. And what we would find is in many cases there would be impacts.

Mr. Cramer. Thank you.

Mr. Regula. Mr. Peterson.

Mr. Peterson. Yes. I think you just stated that the problem is a very, very--and I think these are the exact words--complex accounting system. You remind me of HCFA in these gymnastics, and that is not a compliment. That is not you personally, but the system you have to deal with.

We ought to have a system where we know what your needs really are. You mention lab rent for 5 years, and you obligated it all at the beginning.

I come from State government and from business, and you don't obligate--I mean, you obligate yourself to pay the rent, but it is allocated to the year in which you rent the facility. If every agency in government--and it is not your fault, you are just implementing a system--if we prepaid a rent and put it in the bank, we would have accounts all over the government that are multi-hundreds of billions of dollars that are sitting here, doing nothing.

multi-year obligations

We need a system to work--that 5-year obligation is for 5 different years or one-fifth of it, or whatever percentage--if it is escalating, it would be less than that at the beginning and more in the end--that amount is allocated to the next year's budget.

You also talked about an R&D contract with the auto industry, which is sort of ongoing. You must have some estimates of how much you are going to spend in 1999 with the auto industry on fuel efficiency and maybe some goal of what you are going to spend in 2000. I wouldn't even mind if you overobligated a little bit per year. But if you are obligating 3 or 4 years out, I mean that is funny money. It is not your fault. It is the system. But I think we should have a system that we don't have to do these mathematical gymnastics to figure out if we have money in the bank or not.

I just think the system--I think that it is GAO's job to simplify the accounting system so simple Congressmen can understand whether you have money in the bank or whether you

are carrying huge balances or whether you are not. To obligate the rent 5 years I don't think makes public policy sense.

Mr. Reicher. I appreciate the views. Let me quickly talk about those two things, and this gets to the heart of it, I think. We are, in fact, obligating the dollars in the first year. But unlike the way you posed it, we are not prepaying.

Mr. Peterson. No, but you are obligating it.

Mr. Reicher. We are obligating it. Which, under the current system, means that the dollars immediately become uncosted obligations. We haven't yet paid them. Five years' worth of so-called uncosted obligations immediately get put in the column of uncosted obligation. So that is, in fact, a function of the way we do the business.

And I appreciate your comment about reducing complexity in the accounting system. As a nonaccountant, I would welcome it. But I do have to say it is the system within which we are operating, and it is the system which we have to look at carefully if we were, in fact, to take some of these dollars and apply them to future budgets.

Secondly, on the automobile contract, in a sense, I don't think it is ``funny money.'' What it really is, in order to get companies to come to the table and cost-share, put up their own dollars to do work, we have to give them some confidence that we are going to stick with this. That is number one.

Number two, R&D in and of itself has a longer time frame than a year. So we basically sit down--some of these are very small companies that we work with--we plan a 3-year project. It is going to cost X millions of dollars. Frequently, we then obligate all those monies in the first year, and then they immediately become uncosted obligations that GAO looks at.

The good news is that this particular contract I am talking about, we are nearing the end of it, so in fact those uncosted obligations are coming down rapidly, and we are going to be able to show yet further improvement in uncosted results.

Mr. Peterson. But would you welcome an accounting system for rents that would be paid year by year; where you obligate for 1 year, not for 5 years? I mean, if every agency in government puts the money in the bank and obligates it for 5 years, we are going to have a huge amount of money sitting around here to pay future rents.

Mr. Reicher. Clearly, anything that we could do that could give us appropriate flexibility and not tie up dollars and not create this uncosted issue, we would welcome.

fossil energy offsets

Mr. Peterson. The administration has proposed offsetting fossil energy funding by a certain amount of prior-year carryover funding. Why the double standard? Why not for energy conservation? I don't think any of us want to stop energy conservation or accelerate it. But to have money sitting in the bank in account after account, throughout all government, prevents us from funding things we think should be funded.

Mr. Reicher. I appreciate the reference to fossil. I would say that in fact--and I haven't made this point--that we are in fact offsetting our fiscal year 2000 budget request for energy conservation. It includes \$25 million from prior year balances

in the biomass energy development account. This is a different kind of account. So we have offered a different kind of offset.

Mr. Peterson. That is accessed receipts. It really has nothing to do with it.

Mr. Reicher. As I said, this is a different kind of offset. So what I am saying, you mentioned different kinds of accounts sitting in the government. As I mentioned, this is a different kind of account. We have offered that up, \$25 million to offset the request.

Mr. Peterson. Could I ask GAO--you work with other accounts--who determined that if you have a 5- or 10-year lease, you set the whole amount aside when you sign the lease? I just haven't heard of that.

Ms. Kladiva. I really don't know.

Mr. Peterson. Do you recommend changing that? I think we all want you to have the funds you need when you need them. But to set aside the length of a lease and pay it all, theoretically, the first year--I mean, you have set the money aside, you have obligated it all--is not appropriate. And that is not your fault; you are just running the system.

I want to get a couple energy issue questions up. Is there oil to fill the reserve, the oil reserve?

Mr. Reicher. I----

Mr. Peterson. Isn't the reserve full, a 38-day supply? How many days supply for America is there?

Mr. Reicher. I am outside of my area of expertise. Let me tell you a few simple things I do know. The reserve is not full and we would like to fill it further. I don't know what our ultimate goal is.

Mr. Peterson. There is never a time to fill it any more cost effectively than today. I know Congress put a little bit of money in last year, and now you are doing----

Two issues I would like you to share or get for me: the percentage for the last 6 years, the percentage of oil produced in this country and imported, some kind of a chart, and for 4 years in the future what you think it will be. So give me a 10-year graph.

Mr. Reicher. I can give you a rough--it is an upward trend. We are above 50 percent in terms of foreign oil imports. We project that we are--I mean, now I am trying to remember this--that we will be above 60 percent as we go some time into the next decade. So it is rising. And there is also concern about the concentration of the--of this area of the world that we are getting the oil from.

Mr. Peterson. I guess another figure I might ask for is what percentage of the imports come from unstable governments or parts of the world that the U.S. considers unstable. I really think it is important to us. If we are going to become an 80-percent importer, we ought to at least do it from parts of the world that we can count on and don't have to go to war for every day.

The second is--I think it is an issue that has not been talked about, but I think it is vital to our future--the percentage of oil that we are using in this country that is refined here. And go back 6 and go forward 4. I happen to have a lot of refineries in my district. I am the old oil patch in Pennsylvania, the Quaker States, and Kendalls.

[The information follows:]

percent of petroleum imports from the Persian Gulf

The percentage of crude oil imports to the United States from the Persian Gulf in 1998 is approximately 24%.

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Skeen. Can I interrupt you for a minute? The Secretary will be here on January 24th.

Mr. Peterson. I would like to have this information so we can talk to the secretary.

Mr. Skeen. You are talking to his assistant here.

Mr. Peterson. But if I have that data, I can then challenge him.

Mr. Regula. Yes. The DOE hearing is next week. Mr. Skeen has it right.

Mr. Peterson. But I think the refining issue is something that I want to talk about. I see us slowly, a decade or two, being out of the refinery business in this country if everything remains the same. As for our national security, I have real concerns about that. We are going to move away from oil at some point in time as our major energy source. But if we are refining offshore 80 or 90 percent of our oil as well as buying it, I think it has huge consequences as well as economic consequences.

Mr. Reicher. Mr. Peterson, if I could, one of the activities that, in fact, this subcommittee is providing funding for is to work with the oil refining industry to improve their productivity, to reduce their energy use, to reduce their waste production. And we have reached an agreement with the American Petroleum Institute and large companies to do cooperative work so that, in fact, we can make U.S. oil refineries more competitive, which I think will help in keeping them here and keeping them going. So, again, while this is not in the fossil energy account, this is in the conservation account. We are very focused on the energy-intensive industry and oil refinery.

Mr. Peterson. Because refineries use huge amounts of energy. And some have had a lot of foresight and have been in the generating themselves with waste and cogenerating and saving energy.

Mr. Reicher. Right. So we are very committed to that kind of work funded by the Subcommittee.

Mr. Peterson. We thank you very much.

Mr. Regula. Mr. Kingston.

Mr. Kingston. I apologize for being late. I had another hearing. Which one of you is Mr. Reicher?

Mr. Reicher. I am.

special projects

Mr. Kingston. Okay. On these unobligated and uncosted funds, do you use those for special projects that have not been earmarked by Congress? How much do you spend on those special projects?

Mr. Reicher. Well, what I said earlier, Mr. Kingston, is that all of our dollars are very carefully matched up against

very specific budget codes so that when we propose to spend money, it has to be matched against an appropriate code. And if we can't find an appropriate match, we don't spend it. And those codes have to line up with the way you give us the dollars from Congress.

So now on the issue of special projects, what I said earlier was that from time to time we get requests from Congress. We get requests from other agencies. I will get a request from the Secretary. I will get a request from the industry or the States about some interesting opportunity, some big problem. And they will say, ``Can you help?'' We will then very carefully go in and look at whether or not we can help. And if we do decide we can help, we will make sure we match it against a budget code before we spend a dollar.

So, yes, there are special projects. They tend to be small dollars. But where they match up and where they are legitimate----

Mr. Kingston. What is your dollar amount on that that you would spend? We are talking \$60 million, right, in uncosted and unobligated? Is that the number?

Mr. Zadjura. That is a goal for what we believe they should have.

Mr. Regula. That is the goal. They have \$319 million.

Mr. Kingston. Okay. But \$60 million represents 15 percent.

Mr. Zadjura. It represents 15 percent of the dollars that they have available basically in the new budget authority and the unobligated carryover from the prior year. So 15 percent is the target goal. They actually have more like about 34 percent.

Mr. Kingston. Okay. So how much of it do you spend in dollars?

Mr. Reicher. In dollars for----

Mr. Kingston. Special projects.

Mr. Reicher. It is hard to say because the term ``special projects''--to the extent something comes in that isn't through the normal solicitation process or something, they tend to be quite small, in the tens of thousands or hundreds of thousands of dollars.

Mr. Kingston. What is the aggregate, though? Is it \$20 million, \$30 million? What was it last year or the year before or the year before?

Mr. Reicher. We don't break out those kinds of things, but it is small.

Mr. Kingston. Can you give it to us, say, the last 5 years? Is that a number you can get your hands on?

Mr. Reicher. We can do an analysis that looks at those kinds--that kind of funding.

[The information follows:]

Special Projects

The term ``special projects'' can apply to ``Special Project State Grants,' ' crosscutting support, or the use of funds recovered from prior year appropriations from contract close out actions. All of the Energy Conservation appropriated funds are executed in strict accordance with the purpose of the original appropriations regardless of whether the funds support one of these categories. Also, all Energy Conservation unobligated carryover balances and uncosted obligations

are only used within the intent of the original appropriations.

Crosscutting support generally refers to activities which are essentially ``corporate'' in nature. Examples of cross cutting activities are: the conduct of technical analyses to evaluate the effectiveness of corporate R&D investments, the conduct of technical research to provide planning information to evaluate the effectiveness of individual program R&D deliverables, and the conduct of reviews of EE sector programs to assess the overall management of strategic planning objectives when compared to actual program results.

If there is a need for departure from the manner in which the funds were appropriated, the Department complies with the limited flexibility provided under the authority provided by the Interior and Related Agencies Appropriations Subcommittees for the internal reprogramming of funds. For example, in FY 1998 the Office of Energy Efficiency and Renewable Energy obtained DOE approval to internally reprogram a total of \$345,000 from Energy Conservation prior year funds to offset a shortfall for Federal employee salaries. In FY 1999, the Department approved an internal reprogramming for \$288,877 to provide financial support for six full-time equivalents for the President's Council on Sustainable Development. Subsequently, in FY 1999, EE obtained approval from the Interior and Related Agencies Appropriations Subcommittee to use FY 1998 unobligated carryover funds for certain crosscutting projects which benefit the Energy Efficiency mission requirements.

Total Energy Conservation funding for crosscutting activities in FY 1998, FY 1999, and FY 2000 is \$6,900,000, \$5,972,000, and \$8,667,000, respectively. It was determined there were no uncosted balances available to offset the FY 2000 budget without implementing contract terminations, unacceptable workscope reductions, loss of cost-sharing opportunities, adverse impacts to effectively integrating complex technical paths, and potential cost overruns (from termination) or administrative cost increases from renegotiating contracts in the future.

Mr. Kingston. What I am interested in is what are those projects and is there a trend in what you do spend the money on or obligate--and what goes into those decisions to spend money? And is it an end around on Congressional intent or is it--I mean, is it used as an end around or is it used for something that is just a great opportunity from a business standpoint?

Mr. Reicher. It is certainly not an attempt to go around Congress. And that was my point about being sure that we can match the spending to a budget code, because the budget codes are based on how you appropriate the dollars. You give it to us in certain categories for certain activities. Then the budget codes will line up with those, and then we match the dollar to a budget code. And if it doesn't match, then we wouldn't spend the dollars.

So I think there is judgment involved in that. And there certainly are things that we spend dollars on that reasonable people can differ over the utility of, whether it is for industry or whether it is for another agency, whether it is for a Member of Congress. But we do what we can to make sure that it is---

Mr. Kingston. Accommodate what is reasonable for the big picture.

Mr. Reicher. Right. And one of the things I really want to emphasize, Mr. Kingston--before you came, I talked about the

substantial increase that we are aggressively pursuing and the amount of dollars we compete. In other words, for too long, I think, we have in fact not put our money out in a competitive enough fashion. And instead, we are now putting it out in solicitations where we say, anybody who is interested, give us your best application and we will consider it. And so increasingly you will see a nice trend in our office towards competitive solicitations as opposed to noncompetitive instruments.

inventions program

Mr. Kingston. Let me ask you this. You give--you have some grant programs for inventors.

Mr. Reicher. Yes.

Mr. Kingston. Does that come out of this type of fund?

Mr. Reicher. That comes out of this subcommittee. One of them at least is called Inventions and Innovations Program, and it is within our industries programs. And this is for small inventors who have an idea. They come in, and again this is increasingly a competitive process for those dollars, but they are very important. They are small dollars, but they are exactly what inventors need at the critical moment when they can't easily raise money through normal channels.

Mr. Kingston. Do you try to do a geographic spread on that, or is it just science driven on what is the need?

Mr. Reicher. Let me say it this way. I think that in the Inventions and Innovations Program, I think it is pretty much technically driven. In some of the other grant programs, Weatherization, some of the community-oriented programs, there is more of a formula to make sure that the North, where they need money for heating, is also taken care of, and that the South, where they need money for cooling for poor people, that there is an equitable split. So there is more of a geographic element to those kinds of programs. We also provide money to State energy offices. And, again, that is obviously a geographic--more geographic equity to that.

Mr. Kingston. Okay. Let me yield the balance of whatever time I have back. But I would be interested in what you spent the money on special projects for. And if you could do it for last year, great; the year before, year before, whatever, just to try to get a better grip on it. Thanks.

reprogramming issues

Mr. Regula. Mr. Kingston, you might be interested, most of the agencies we deal with will submit reprogramming requests when they want to transfer dollars to another account. But we have not had any from your Department, Mr. Reicher, that I am aware of. And it would seem to me that if you are rechanneling these funds, that you should submit a reprogramming request to this committee.

Mr. Reicher. First of all, Mr. Chairman, we are not--again, we are not----

Mr. Regula. We are talking about the special projects, Mr. Kingston's concerns.

Mr. Reicher. There are various budget categories that give

us some discretion in terms of the projects----

Mr. Regula. I understand.

Mr. Reicher [continuing]. That we fund. And so what we try to make sure is that when we use the discretion within those budget categories, again that we can match these up against the right budget accounts, to be sure. There is also, as you know, a cutoff below which formal----

Mr. Regula. \$500,000.

Mr. Reicher [continuing]. Formal reprogrammings are not technically required.

I have talked to your staff about a couple of these issues in terms of special projects, and I would very much look forward to further discussion because I want to be sure that you are, in fact, comfortable with the way we are spending these dollars.

Mr. Regula. That is what we are trying to do here.

Mr. Reicher. The last thing I want to do is have a problem over this.

Mr. Regula. A question for both of you: To what extent should the committee consider limiting funding for Energy Conservation Programs to 1-year availability or 2-year availability? Let us start with GAO.

Ms. Kladiva. I would say from the General Accounting Office perspective, we think there are some potential merits to that. First of all, DOE is a very unique agency in that the majority of its funds are listed as no-year funds, meaning that they can go on into perpetuity. There is no end of the fiscal year.

Mr. Regula. These balances can lay out there for a long time.

Ms. Kladiva. We really kind of lose track and lose identity with what is out there. DOE is not unique in that it does R&D. There are plenty of other Federal agencies that are engaged in R&D activity. And they have imposed upon them, generally 2-year funds for R&D, T&E.

When there is a conclusion to the appropriation year, then there is a 5-year period, that is now absolute, that all costing or liquidation against that appropriation has to be completed. Five years is a very long period of time. We don't know--currently, we don't have any kind of aging information on how long it takes for obligations in the Energy Conservation Program to be liquidated or to be costed. But 5 years is certainly a long period of time.

That, in and of itself, may not have a direct impact on improving the timeliness of the costing within the Energy Conservation Program. But, again, it certainly will give more accountability to the managers, knowing that they need to focus on and to be tracking what is happening with costing.

And if I might also point out that for fiscal year 1998, the Energy Supply Program funded by the Energy and Water Development Subcommittee, that they got 1-year money in the Energy Supply Program. And the costing of that program at the end of one year, it was obligated to almost 99.5 percent within the year.

1-year, 2-year, or No-Year funds

But, interestingly, the costing was completed to a percent

of 84 percent. Because that program had been a no-year fund program before that, looking at what had happened to the fiscal year 1997 appropriation before there was some 1-year money, and then tracking kind of on a parallel track the no-year money that was continuing in fiscal year 1998, that the costing level there at the end of the year was only about 64 percent. So it did have an effect of getting an improved efficiency in getting the costing done. So I would say that we think that it is an idea that has merit.

Mr. Regula. Two-year or one?

Ms. Kladiva. One or two-year. Either of those is some kind of finite. And we recognize it may not be appropriate for the entire program, but there could be elements for the program. It makes a lot of sense.

Mr. Regula. Mr. Reicher.

Mr. Reicher. Well, Mr. Chairman, we have looked at this carefully. Let me first say, as I think we just heard, an annual appropriation or 2-year appropriation we don't think would actually affect uncosted balances.

What essentially it would affect is unobligated balances, because basically the only thing that it says to the manager is be sure you obligate the money by the end of the year or you are going to lose it. The whole issue of uncosted obligation continues. So the fact that the funds are annual or time-limited will not result in less or more uncosted balances. It will simply eliminate the availability of unobligated carryover funds. That is the first point.

The second point. We provided a report to Congress in October of 1998, last year, on alternative systems for availability of funds in which the Department estimated that at least \$30 million would be required to modify departmental accounting systems to accommodate tracking appropriations funds by a fiscal year; in other words, moving to more of this annual appropriation or 1-year funds.

Additionally, \$10 million was estimated for increased annual operating costs, a three- to fourfold increase in the volume of data to be reported, reconciled, and managed.

Let me give you the experience under Energy and Water. We now have under Energy and Water 1-year money, 2-year money, and no-year money. We talked earlier about accounting complexity. This has taken accounting complexity to a new high, because we have to keep various sets of books now as a result of last year, the year before, I think, getting 1-year and then recently getting 2-year, and still having no-year money. So it is not a cure for the issue.

Mr. Regula. The only thing is if it is no-year money, you can pull it back out of a contract. If it is a finite 1- or 2-year amount, once that contract is in, it has to go there. So you don't get into special projects spending out of that account. It restricts your ability to do the special projects type of thing, which I think we have had some concern about.

Mr. Reicher. Right. And I would rather address that through a more focused method. To the extent you have concerns about that, I would like to figure out a way to address those.

The flip side of what you just said about not being able to pull money out is that, in fact, it also makes it much more complicated when, for example, a contract comes in under

budget, pulling those dollars out. So the benefit to the taxpayer in fact may be lost.

So there are a lot of other disadvantages to operating with it. So you will restrict R&D activities to some extent. We don't have the flexibility to allocate funding at the pace appropriate to the success or failure of the science. Again, I completely agree. We are not the only science agency, but we certainly are a science agency, and science doesn't work like normal kinds of funding cycles. We don't have the flexibility in terms of appropriations on the cutting-edge kind of work.

And as I say, the annual appropriations require additional administrative controls, additional accounting.

Mr. Regula. Mr. Skeen, do you have additional questions?

Mr. Skeen. I have none.

Mr. Regula. Mr. Hinchey.

Mr. Hinchey. I do not, Mr. Chairman.

Mr. Kingston. No.

potential offsets

Mr. Regula. One last comment or question. As the committee proceeds with the consideration of the fiscal year 2000 budget, will GAO and you, Mr. Reicher, continue to examine the issue of unobligated and uncosted balances and keep us advised of what you consider to be an appropriate amount that could be offset? I assume you would say zero, but not much in any event, that you would say we could offset the 2000 requirements. And you might have a different number. Do either of you want to comment?

Ms. Kladiva. I just wanted to say that what we have found in other programs is that once we have raised the flag and identified this is the uncosted level, we frequently find that by the end of the year, that our projection is larger than the actuality, because they get on the stick and they start doing some costing and they get behind it. So we may find at the end of the year that the uncosted levels may not be what we are saying they are now. But we still think there is a lot of excess there that is available to potentially offset the budget request.

Mr. Regula. Mr. Reicher.

Mr. Reicher. First of all, we will continue to work with GAO. We had a good meeting with them last week to talk about this hearing and to understand where we have similarities and where we have differences. I know the gentleman who directs at least two of my colleagues very well, and we talk regularly and have a very good relationship. So we appreciate GAO's work very much and will continue to listen to them very carefully.

I do want to emphasize that taking any of these dollars and applying it against future budgets comes at a cost. And so we are going to continue to monitor this closely. And more importantly than just monitoring, we are going to continue to drive these numbers down to an appropriate level. And we will also keep your staff closely informed about how we are doing.

Mr. Regula. You can understand we have enormous demands on this committee. We could double our spending and not really waste it because we are dealing with 30 percent of America's land, to say nothing of all the other agencies. So we are

trying to manage it as carefully as possible. And we appreciate it if you keep us informed, because as we go to markup, we are going to have a lot of things that we would like to do and can't that would be productive.

Any further comments? Thank you very much for coming.

The meeting is adjourned.

Insert Offset Folio 279 here

Wednesday, March 3, 1999.

GENERAL ACCOUNTING OFFICE, ENERGY, RESOURCES, AND SCIENCE ISSUES

WITNESSES

BARRY T. HILL, ASSOCIATE DIRECTOR

CLIFF FOWLER, ASSISTANT DIRECTOR

Mr. Regula. We will get the hearing started. We are happy to welcome all of you.

I think what we are discussing this morning is an important subject. It is important to the tune of over \$140 million for our public lands, and I think it has been very well received.

Several years ago, the subcommittee discovered that there was a serious backlog maintenance problem not only in public lands, but in our cultural agencies and for Indian schools and hospitals. The backlog number that was commonly used for the public lands alone was \$12 billion.

We held several hearings to address this problem. At the hearing concerning the natural resource agencies, the GAO reported that while there were substantial backlog maintenance needs, the agencies were not using a common definition for maintenance, and the data to support their backlog estimates were not accurate and reliable. Further, there was no acceptable tracking system to store the data, update numbers, or track the project.

We reacted in fiscal year 1996 by putting a recreation fee demonstration program to supplement, not supplant, major appropriations increases. The four land management agencies were allowed to collect and keep 100 percent of the funds for backlog maintenance and enhancing visitor service.

To date, the agencies have collected \$420 million in addition to their annual appropriations; and I might add we have not cut the appropriations. In view of the fact that this money is available, we want to see it used to enhance the visitor experience and address the maintenance problem.

We have three purposes today: to hear the successes of the program, to discuss possible improvements, and to learn whether the agencies now have accurate, credible data and whether they are able to track the projects to completion and provide Congress with accurate assessments of the total backlog needs.

Mr. Dicks, would you like to make a statement?

Mr. Dicks. No, Mr. Chairman. Except I want to say that basically I think this has been a very successful program, and on our trip last year we heard very positive things about it.

My reaction to it is that people out there are appreciative of the parks. They want to see the parks taken care of. They see the demonstration program is successful in that the money comes back to the park, and that is a very crucial element of it.

I think we need to consider how to make this permanent, and I am very supportive of it and I want to commend the chairman for his leadership over the years in promoting this. And I think it is a good idea that the American people are willing to accept.

Mr. Regula. Thank you, Mr. Dicks.

Mr. Hill, the Associate Director, General Accounting Office, we are happy to welcome you again to our committee hearing. And you may proceed. Your full statement will be made a part of the record, and you can summarize it as you see fit.

[The statement of Mr. Hill follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

GAO Testimony

Mr. Hill. Thank you, Mr. Chairman. It is always a pleasure to appear before this committee. Before I begin, allow me to introduce my colleague. With me today is Cliff Fowler, who led the work that we will be presenting today on the fee demonstration program. We are pleased to be here today to discuss the results of our recent review of the recreational fee demonstration.

The testimony we are providing today is primarily based on a report we prepared for this subcommittee and others last November. The report's overall message is clearly a positive one. The program has provided hundreds of millions of dollars to improve visitor services and address backlogs of unmet needs. In addition, visitors who pay these fees are generally supportive of the program and it has not adversely affected visitation rates.

Despite its apparent success, it is appropriate to focus today on several areas in which program changes or refinements may be needed. Specifically, my statement will focus on three areas: first, improving interagency coordination of fees at demonstration sites that are close to each other; second, finding innovative ways to make fees more equitable; and third, permitting greater flexibility in allocating revenues. In addition, I will also briefly discuss the impact the program is having on the Park Service maintenance needs.

Let me start by discussing the issue of improving interagency coordination.

The demonstration program is authorized with the expectation that the four agencies would coordinate their fee collection efforts where it made sense to do so. During our review, we found examples of such coordination, such as two units adjacent to each other charging a single entrance fee. Such coordination provides benefits to both the public and the agencies.

However, we also found agencies that were not coordinating their fees. For example, the Park Service and the Fish and Wildlife Service manage sites with a common border on the same island in Maryland and Virginia. The two sites are Assateague Island National Seashore and Chincoteague National Wildlife Refuge.

When the agencies selected these two sites for the demonstration program, they decided to charge a separate,

nonreciprocal entrance fee of \$5 per vehicle. The demonstration sites may be reluctant to coordinate fees partially because the program's incentives are geared toward increasing their revenues. However, the increase in service to the public may be worth a small reduction in revenues.

need for innovation

Next, let me briefly discuss the need for greater innovation to make fees for equitable.

The demonstration program encouraged the four agencies to be innovative in setting and collecting fees. Such innovation takes two main forms: Making it as convenient as possible for visitors to pay, and making fees for equitable. We found many examples of agencies implementing--experimenting with ways to make payment more convenient, including selling entrance passes, using machines like automated tellers, selling hiking permits over the Internet, and selling entrance or user permits through vendors such as gas stations, grocery stores, and convenience stores.

However, we found fewer examples of the agencies experimenting with different pricing structures that could make the fees more equitable, such as basing fees on the extent of use or whether the visit occurred during a peak visitation period.

Most of the experiments with pricing have been done by the Forest Service and the Bureau of Land Management. By contrast, the Park Service has done little to experiment with differential pricing. Visitors are generally paying the same fee whether they are visiting during a peak period, such as a weekend in the summer, or an off-peak period, such as mid-week during the winter, or whether they are staying for several hours or several days. A more innovative fee system would make fees more equitable for visitors and might change visitation patterns somewhat to enhance economic efficiency and reduce overcrowding and its effects on parks' sources.

Now I would like to talk about the need to permit greater flexibility in allocating revenues.

The demonstration program required the agencies to spend at least 80 percent of the fee revenues at the site where these revenues were generated. However, some demonstration sites are generating so much revenue as to raise questions about their long-term ability to spend these revenues on high-priority items.

By contrast, sites that are outside the demonstration program, as well as demonstration sites that do not collect much in fee revenues, may have high-priority needs that remain unmet. As a result, some of the agencies' highest priority needs may not be addressed.

This is a significant and sensitive issue that involves balancing important features of this program. Providing some firmer flexibility in the spending of fee revenues gives the agencies more opportunities to address their highest-priority needs among all of their field units. If this is not done, undesirable inequities could occur within agencies if and when the current legislation is made permanent. At the same time, however, any change in the requirement needs to be done in such

a way that the fee collecting sites would continue to have an incentive to collect the fees and visitors who pay the fees will continue to support the program.

impact on nps maintenance

Finally, I will briefly touch upon the impact the fee program is having on the Park Service's maintenance needs. Given the substantial increase in funding that the Park Service will receive under the demonstration fee program, now more than ever the agency must be accountable for demonstrating its maintenance accomplishments and the improvements made using these additional resources. Unfortunately, right now the agency cannot do this. It still lacks accurate and reliable information on its deferred maintenance and other park operating needs and is unable to track progress in addressing these needs.

At a hearing before this subcommittee last year, the Interior Department made several commitments to address these problems. I am pleased to report that to date the Department has made some progress in meeting these commitments.

In recent years, the Congress has attempted to help the Park Service address its deferred maintenance and other program needs by providing additional appropriations and revenue from the recreational fee program. However, until accurate, reliable, and useful data are developed about the size and scope of the agency's maintenance needs, the Park Service will be unable to determine how much progress is being made with these funds and resolution of the deferred maintenance problem will continue to elude the agency.

In closing, Mr. Chairman, while our testimony today is focused on improvements that could be made of the fee demonstration program, it is important to remember that this program appears to be working well and meeting many of the law's intended objectives. So far, the demonstration program has brought over \$200 million in additional revenue to recreation areas across the country with no apparent impact on visitation patterns. It has created opportunities for the agencies, particularly the Park Service, to address, and in some cases resolve, their past unmet repair and maintenance needs.

The 2 years remaining in this program represent an opportunity for the agencies to further the program's goals by coordinating their efforts more, developing innovative fee structures, and understanding the reactions of the visitors.

This concludes my statement. I will be more than happy to answer any questions that you or other members may have.

Mr. Regula. Thank you, Mr. Hill.

Does your full statement have some recommendations how the program could be improved?

Mr. Hill. We made recommendations in our November reports that focused on that, and I believe that the full statement is reflective of those recommendations in terms of the improvements that we feel are needed.

Mr. Regula. Your report states that as of March 1998, 76 percent of the funds available under the rec fee program had not been spent. Particularly, the National Park Service, the largest

collector, spent just over 17 percent of its fee money. Agencies have several reasons that they offered for the low obligation rate.

Do you think their explanations are reasonable, and is there an indication that they will increase the expenditure rate in the period ahead?

Mr. Hill. Our understanding of the situation is, the Park Service obviously, as you know, was under fire in recent years for some of the projects, such as the \$300,000 outhouse and some of the very expensive homes that were built in some of the parks, the housing; and because of that, they were very sensitive and they are, rightly so, reacting to that.

I think they want to make sure that the money that is being used from this program is being used for the highest priority projects and that we do not see any more reoccurrences of that. They have instituted some additional levels of review within the Park Service, as well as the departmental level, to make sure that all the projects that are being funded are supposedly being reviewed and approved prior to their going ahead. And by the way, we think that additional level of review, although it may be creating some delays or costing time, is prudent.

Mr. Regula. So you do not think the paperwork requirements are overly burdensome?

Mr. Hill. We have not analyzed the process they are using. But based on the experiences they have had in the past few years, it is probably a prudent thing to be perhaps giving these projects some additional levels of review to make sure that they are the highest priority projects.

80/20 distribution

Mr. Regula. The other question I have, and we have several for the record is: Do you think that there will be a situation in 4 or 5 years when the maintenance backlog is overcome and that there ought to be a more equitable distribution rather than the 80/20? Because obviously the smaller parks get shorted under the present formula and the flagships will probably have an excessive amount.

Mr. Hill. Yes. And that is one of the recommendations that we made in the record.

I mean, right now there are only 100 parks that are in the demonstration program. That leaves many parks that are not part of it and that basically will be relying on the normal appropriation process to deal with their maintenance needs.

In addition, the parks that have the high volume, the Grand Canyons and the Yosemite that have a large number of visitors, could well be flush with money. In some cases, it is doubling, basically, their operating budget, and it will be money that is needed to deal with their maintenance problem. But 4 or 5 years down the road, they may be in a situation where they are basically funding projects that may not be of a higher priority than other units.

On the other hand, you have other facilities like Independence Hall or the Lincoln Memorial that did not charge any fee at all to the visitors. So there there may be some need to kind of reexamine the distribution of the money and the maintenance needs and make some adjustment.

Mr. Fowler. If I could add one important point to that,

when we did our work and we visited some of these parks, what we learned from park managers, from several of them that had a good cash flow from the revenue from the fee program, was that in a few years they felt they could address their entire maintenance backlog, the entire deferred maintenance situation of the park. So after a period of time, some of these managers are going to be faced, under the current program, with spending money either to further develop, add to the park, further develop the park, as opposed to using money to address existing needs.

Mr. Regula. Well, do you have a recommendation either in your prior report or this one as to how we can more equitably adjust this prospectively, to ensure that we get over all the backlog? Because the park visitor may go to the small park and they are entitled to have a good experience there, as well as in the large parks. So I think we have to think of backlog maintenance in a macro sense, as a totality in terms of the Park Service or Forest Service or whatever.

Mr. Fowler. I think it would be a matter of adjusting the minimum amount that has to stay in the park. What that number is, I really do not have a clue. That depends on a lot of factors, obviously.

Mr. Regula. And I would hope that the leadership within the agencies would have recommendations because they deal with this program on a day-to-day basis.

Mr. Hill. And we do mention in the report in our testimony today, though, that you have to be really careful when you make that adjustment that you do not take away the basic incentive that these units have to collect this money, and also the fact that the visitors to the parks seem to be okay with paying this fee as long as the money is staying in the park, that you do not take that incentive away for them as well. So there is a balancing act here.

Mr. Regula. Do all of the parks that you visited have a sign up that says that the fee money stays here?

Mr. Fowler. Do all of them? No. Most of them do.

Mr. Regula. They should have. We are trying to get them to do it.

Mr. Wamp.

Mr. Wamp. Thank you, Mr. Chairman.

I very much appreciate where we are on this, the progress that is being made, and the need to reexamine the distribution of these dollars. And obviously, with the Park Service bringing in most of the revenue, I am going to focus on the flip side of that for just a minute and talk about the collection of these dollars.

golden age pass

I was speaking to a retired couple from South Africa that happened to be here in Washington just a few weeks ago, and they took a trip out West this fall and they were flabbergasted with this Golden Age Pass, what all they had had for what they paid access to. And just being from another country, they just thought that was the deal of the century that they could actually do that and have those benefits.

And when we took our trip that Mr. Dicks referred to last

year we were talking about what an incredible educational experience these parks are for young people. And I just wonder if we might need to, as we are looking at reevaluating the distribution of these dollars, take a look at reevaluating--I know some of it is statutory, but what we might need to do to look at encouraging younger people too.

This Golden Age Pass seems to be such a good deal. No one seems to want to grow old, but the more benefits that are out there, I look forward to it. My goodness, it is sometimes amazing that we have given people that are on fixed income, many of them retirement income, such a deal, yet if you are a young child, you have got to pay more with your family. And that is really where we need to focus these treasures, these incredible educational experiences, on our young people.

I just wonder when we look at Golden Eagle and Golden Age, if you all took a look at the disparity there. With only 100 points of collection in the park system, I think, now, should we take a look at that as we make progress on how the money is spent about exactly how we charge people; and is there some confusion about what these fees actually include once they get into the parks?

Mr. Hill. Congressman Wamp, you raise a very good point. There is a lot of confusion right now with the types of fees that are being collected and these Golden Eagles and the passes that they have and what they cover.

I think some people--we have heard of experience where they buy a pass and they expect to be able to have access to all the Federal parks and forests only to find out that that is not the case, where once they get into a particular park or forest, they are charged an additional fee to do an activity that they assume is covered. There is a lot of confusion, and I think that is something that needs to be examined.

There needs to be a better way, I think, of letting the public know what these various passes include. Maybe there needs to be fewer of them, but more all-encompassing. I think that is an issue that the Department has to look closely at and better coordinate amongst the various agencies that are involved in this thing and as well as the Congress in terms of, do we want to extend these types of privileges to the younger generation or things like that.

Mr. Fowler. Could I add just one point, a recent development? Some legislation passed just last session adding another pass called the National Park Pass into this mix. So I think there is potential there for even more confusion about your rates and passes and what they cover and what they do not cover and that sort of thing.

Mr. Wamp. I am sure they are trying to, but I would encourage the director to really listen to the superintendents. I know when we were in Yosemite last year, I think we were surprised that the percentage of the Golden Age Passes--that actually the total number of visitors to Yosemite, the Golden Age Pass was far and away the number one pass that they saw. And I do not think most folks expected it to be that disproportionate. That is where a lot of the traffic comes from, and actually that is the least revenue that we are going to get out of this pass program. So I really just encourage us to work internally on that, as well, while we are looking at reallocating the actual proceeds of this particular provision,

which again we should all be very pleased that we took the initiative here and that it is working so far.

Thank you, Mr. Chairman.

Mr. Regula. I might tell the committee members that our next witness will be Mr. Don Barry, the Assistant Secretary for Fish and Wildlife and Parks. And then we are going to have a teleconference with the forest supervisor in Minnesota. He will be in Minnesota and we will be here, and we will have two-way communications. This is kind of an experiment. It is the first time we have done this and I hope it works, but we will soon find out.

Mr. Cramer.

costs of collecting fees

Mr. Cramer. Thank you, Mr. Chairman.

Quickly, if I could, and you may have gone over some of this before, but the fees that we are collecting, a disproportionate amount of the money initially is to cover the costs associated with collecting the money itself, right?

How is that coming down?

Mr. Hill. I think the phenomenon you are seeing there----

Mr. Cramer. It is coming down, right?

Mr. Hill. It is coming down. And the experience has been, I think, it was a lot lower for the Park Service because in many instances the Park Service already had the ability to collect park fees when this program was initiated, whereas, the other three Federal management agencies were not generally collecting entrance fees per se. So they had to try to get the infrastructure in place to actually collect these fees.

So I think a high percentage of the early revenues from the program were directed at basically constructing booths and things like that to collect these fees. That percentage is dropping dramatically now. I think you will see that really come down to a reasonable percentage now that they are basically geared up and running.

criticisms of program

Mr. Cramer. With the demo program, what did you find were the major criticisms of personnel units managing the program? What did they tell your investigators in the field?

Mr. Fowler. About problems with the program?

Mr. Cramer. Yes.

Mr. Fowler. Getting geared up for it. One of the big problems was, particularly in the Park Service, dealing with a large flow of cash and managing the cash that was coming into the parks, and then working on that and working on the accounting systems to better handle that. That sticks out in my mind as probably the largest concern that was passed on to us at that time. They are working on it, and it is getting better.

I think probably after that the next biggest issue that we heard was, and it varied from agency to agency, but the need to talk to their sister land units in other agencies to work more together to make a more seamless operation for visitors that might go from a unit in one agency to a unit in another agency.

Mr. Cramer. And the flexibility with the passes, the

National Park Pass that you mentioned, that is a new pass?

Mr. Fowler. That has not actually hit the ground yet. It is authorized and it is going to be done but the agencies are working on that. That is just for the parks.

Mr. Cramer. Would you care to comment on how the fee demo program has reduced the backlog on maintenance on public lands?

Mr. Fowler. We cannot tell. They are addressing maintenance needs and other needs, resource management needs, visitor service needs with the fee money that they are getting. But in terms of what progress is an agency making to address all of their maintenance needs, first you have to define what your total maintenance need is and the agencies have not done that yet.

Mr. Hill. But there is no question--I mean, there has been a large insurgence of money that is now available to deal with the maintenance backlog problem. So there are a lot of projects going on right now to deal with the deferred maintenance issue.

Mr. Cramer. And maybe we are not far enough along into it to evaluate it?

Mr. Hill. It cannot be evaluated yet. A problem that we have always had and that they are working on right now is dealing with how big is the deferred maintenance problem per se. They have had a difficult time defining it. There have been estimates thrown on the table, but those estimates do not really have any sound data behind them that really let you know what the total universe of the deferred maintenance problem is. And unless you know that, then it is really difficult to say; how much progress are we making at wiping out this deferred maintenance is the problem.

But there is no question that with the money they are receiving, there has been an increase in the number of projects they have been able to get under way that are maintenance-related, and they are doing more maintenance work than they were prior to the program.

Mr. Fowler. I think the agencies will acknowledge that. I mean, we are not saying anything that the agencies do not understand, and they are working towards that.

Mr. Regula. I would like to piggy-back on that.

You mentioned that in 5 years you think the Park Service will be caught up. How about the other agencies, such as BLM, Fish and Wildlife Service, and Forest Service?

Mr. Fowler. If I could clarify something, Mr. Chairman. What I said was, some parks--you might call them ``cash cow'' parks--are going to be in good shape, but the Park Service as a whole----

Mr. Regula. Has a long way to go?

Mr. Fowler. Yes. Again, first you have to know how large is this bucket we have to fill, and they do not know the size of that bucket yet.

Mr. Regula. So we need to have that information as we look at this prospectively?

Mr. Fowler. Yes.

Mr. Cramer. That is all I have for now.

Mr. Regula. Mr. Hinchey.

effects on visitation

Mr. Hinchey. Thank you, Mr. Chairman.

I was wondering if you had any information on whether or not the fee structure is affecting attendance, and I would be particularly interested in the parks that are the objects of day-trippers in and around metropolitan areas in California and Maryland and Virginia, Gateway in New York, places like that.

Mr. Fowler. We have not looked at that on a park-by-park basis. We have reviewed the available studies that were done by various groups, and because the program has not been in place very long, it is limited data. You would like a longer trend, a longer number of years. So the data that are available are based on just a year or two of experience. But that data suggested that there have not been significant changes in visitation patterns since the program's inception.

Mr. Hinchey. Do you have that information specifically with regard to places like, say, the Angeles National Forest or Santa Monica Mountains or Golden Gate, California?

Mr. Fowler. I would have to go back to the studies to see if they mention those specifically. I cannot say right now.

Mr. Hinchey. I ask the question that way because I would think that if the fee structure is going to have an impact, it is likely to have an impact on people of modest means, and people of modest means are more likely those, perhaps, in metropolitan areas who are only going out for a day, experiencing one of those parks. I think that is something that would be interesting to look at, those people who are being affected particularly.

Mr. Hill. If I could say, the agencies have done some visitor surveys and gotten reactions from visitors in terms of their reaction to paying the fee, and that has generally showed that the visitors who are going there are generally favorable of the program. And there is more of that type of survey data that they are planning to do in the future, particularly for some targeted groups like the back country users or the low-income people and that type of thing.

But it also raises the question of, they are basically surveying people who are showing up at the parks and forests. I am not sure to what extent they are planning on surveying people who would have gone but are not going. But there is additional study going on now, looking at those issues.

Mr. Hinchey. There has been some criticism of some groups that the fee structure would encourage park managers to emphasize recreational activities at the expense of other activities such as resource conservation. Is there any evidence that that is taking place?

Mr. Hill. I think it is premature to answer that right now. I think that is a concern that we have heard that one has to keep an eye on.

Mr. Hinchey. But you have no evidence, at least at this point, that that is happening?

Mr. Fowler. We do not.

Mr. Hill. Here again, if I might add to that, I think that is why we are saying you need to kind of closely watch over the years as these parks collect this money and deal with their problem. When they get to the point where they have completed all their deferred maintenance needs, they may start looking at things like that. They may start talking about putting in a

marina or something to attract more boaters and things like that. And you have to question, is that the right thing to do, particularly since there are other units that are not getting this money and they are still having deferred maintenance problems. So I think that is why one has to keep an eye on that and examine that over the years.

Mr. Hinchey. Thank you.

Mr. Regula. I would add, and I understand what Mr. Hinchey is getting at, that this is a demonstration project, and at the end of 5 years this committee and the agencies will reassess what works and what serves the public in the best possible way.

Mr. Hinchey. Yes.

Mr. Regula. Thank you very much. You have done good work, and we are very interested in the reports. We will have additional questions for the record.

Mr. Hill. Thank you.

Mr. Fowler. Thank you.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Wednesday, March 3, 1999.

DOI, FISH AND WILDLIFE AND PARKS

USDA, FOREST SERVICE

WITNESSES

DONALD J. BARRY, ASSISTANT SECRETARY

MAUREEN FINNERTY, ASSOCIATE DIRECTOR, NATIONAL PARK SERVICE,
PARKOPERATIONS AND EDUCATION

JOHN ROGERS, DEPUTY DIRECTOR, U.S.FISH AND WILDLIFE SERVICE

NINA ROSE HATFIELD, DEPUTY DIRECTOR, BUREAU OF LAND MANAGEMENT

DENNY BSCHOR, NATIONAL DIRECTOR, U.S. FOREST SERVICE, RECREATION,
HERITAGE, AND WILDERNESS RESOURCES

JAMES SANDERS, FOREST SUPERVISOR, SUPERIOR NATIONAL FOREST, MINNESOTA

Mr. Regula. Mr. Barry, good morning. We are pleased that you have come. You have heard some of the questions, and your full statement will be made a part of the record. You can summarize for us as you see fit.

[The statement of Mr. Barry follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Barry. First of all, I would like to answer the question from Mr. Hinchey.

impact of fees on visitation

A table attached to my testimony indicates that there has been a continued steady increase in the number of visitors to the park, refuge, forestland areas for all of the agencies the last couple of years under the fee demo program. That would suggest that there has been no drop-off as a result of the implementation of the fee demo program.

fee program success

Thank you, Mr. Chairman and the members of the committee. I am pleased to announce that public support for this program is strong, fee revenues have increased sharply, and most importantly, the needed repairs and improvements are being made to enhance visitor experiences.

We now have over two years of experience in implementing this experience since Assistant Secretary for Policy, Management, and Budget John Berry first came in front of this committee, and I think that we are now at full complement, at least for the National Park Service, with 100 recreational sites operating under the program. There are 77 sites with the Fish and Wildlife Service, 68 sites with the Bureau of Land Management, and 67 with the Forest Service. Thus, over 100 demonstration projects were added during fiscal year 1998.

witnesses present

I am here on behalf of the three participating bureaus of the Department of Interior. I also have with me agency witnesses who will come up to the table as soon as I am finished. We have John Rogers, the Deputy Director of the U.S. Fish and Wildlife Service; Maureen Finnerty, the Associate Director for Park Operations with the National Park Service; and Nina Hatfield with the Bureau of Land Management. They will be able to answer more specific questions regarding the programs in their respective agencies.

experience reported by gao and doi

I think basically that the agencies have learned a lot and are working much more closely together. We found the GAO report fair, effective, and very helpful, and we expect to see increased program effectiveness.

The annual Interior Subcommittee report for fiscal year 1998 to Congress contains much information on both the progress we made and the problems we are still facing.

program extension

I would have to say we are also very pleased with the extensions that Congress has given us in the program. The only problem that we have with it, of course, is that it still is an extension to a temporary program, and we believe that we are ready to begin the process of converting this into a permanent program. The President's fiscal year 2000 budget is based on that assumption, and we look forward to working with Congress to try to develop permanent fee legislation.

visitor reaction

We are also very pleased with the benefits that we are seeing on the ground now for the agency program and for recreational visitors who are visiting these sites. I just came back from the Virgin Islands National Park. For the first time in 12 years, all 22 miles of their trails are cleared as a

result of the hurricane damage and so on. I had a person sitting on the bus next to me, and I asked her what her experience was in the park; she said she really had looked forward to hiking the trails, but she heard they were closed. I said, well, as of last week, with the fee demo money, they just cleared the last mile of trail and all of the trails now are open for the first time in 12 years. And she said, great. I gave the fee demo project all the credit for it and said that Congress had wisely allowed the park to keep the money. She was very happy and said that was great, and she is looking forward to coming back again.

additional revenue from fees

I think what we have noticed is that for all of the agencies, we collected about \$180 million in revenues for fiscal year 1998. This represents a doubling of the recreation fees over the levels that existed when the program began. We expect additional increases in the years ahead. We also expect more efficiency in the operation of the program.

Again, as I said, the report from GAO we found to be very helpful and accurate. In the words of GAO, spending has been limited, but there are significant opportunities for addressing the needs, and the agencies are faced with enormous resource and infrastructure needs as well.

expenditure rate

Mr. Chairman, I know there has been some talk about the pace at which we are spending the money. I can tell you and commit to you that we will spend every dollar, to be sure, but we are intent on spending it wisely. We know that you share that goal and that desire. As the public makes its direct contribution at the entrance stations for the improvement of parks and refuges, it is imperative that we use the funds in a good way that gives the public a feeling of good value for their money, and that is our commitment to you.

review of projects

To ensure the best use of the funds, at least within the Department of the Interior, the Secretary of the Interior has directed us to institute a system to carefully review at both the National Park Service level and also the departmental level the various projects that are being proposed. We have found that to be a very helpful process.

I, in particular, have reviewed every single park fee demo project, and I have asked questions about it, and I feel like I have gotten a fairly good feeling for the range of projects that are out there.

Mr. Regula. How many would that be?

Mr. Barry. I measure the stacks in inches, and I could not give you off the top of my head the number of projects. Maureen Finnerty might be able to. But I know the last wad that I walked through and worked through was several inches thick. So it is a real smorgasbord of things, ranging from clearing trails to increased signage, interpretive materials, direct

benefits for the public that are really going to make their experience in the park so much better.

I would like to also note that we, of course, are working very closely with the Appropriations Committee for the very large projects. Any projects over \$500,000 we will be sending to you for your approval. We are expecting to have a new list coming up very soon with some of the large ticket items. I think there are maybe 11 or 12 projects on that particular list. We are committed to looking for ways of expediting the clearance process within the Department as well.

public acceptance of higher fees

With regard to the question about the popularity or unpopularity of the program, we have conducted some studies. The public acceptance of the fee program remains amazingly high, particularly with the provisions for retaining the majority of the fee revenues for the unit creating the revenues.

The visitor surveys conducted in 1998 by the Park Service indicated that about 83 percent of respondents felt that the fees they had paid were either just right or that the fees were too low; 86 percent of the respondents to the Fish and Wildlife Service survey considered the fees they paid about right; 60 percent of the respondents in the U.S. Forest Service survey indicated high to neutral acceptance of fees on public lands.

So what we are noticing is a very high acceptance, particularly as soon as people realize that the fees are going to stay in the park. The woman in the Virgin Islands was a case in point.

fee collection costs

Again, we have had a number of experiences in terms of costs for collection of the fees. There are up-front costs that have been expensive for us to absorb, but once we absorb those we are on our way, and we feel that we will be able to watch those costs begin to drop.

Let me provide current information regarding a couple of the suggestions that GAO made in their report. One is the need for greater coordination among the agencies.

agency coordination

In January this year, John Berry, the Assistant Secretary for Policy, Management, and Budget, issued a directive requiring the three agencies that we have under the Interior Department roof to get together and look for ways of consolidating and coordinating their fee demo activities.

One example that you use on Assateague and Chincoteague, I was informed yesterday the Park Service and the Fish and Wildlife Service have reached agreement. It has not been fully unveiled yet, but they believe that they have reached agreement in principle on how they can now use a consolidated coordinated fee program for Assateague and Chincoteague. And we have expectations that there will be other examples like this as the agencies sit down at the maps, look at where their respective

units are and look for ways of coordinating.

permanent legislation

We mention in our testimony some of the key elements that we think are essential for permanent legislation. Those will be included in the record with part of my formal statement. I would also draw your attention to the tables that are at the back of my testimony that summarize both visitor activities, cost of implementation, and the flows themselves.

reprogramming request

Let me just summarize, if I could, with a couple of quick thoughts. The Department sent to the committee a request for a reprogramming to help cover and defer costs for the fiscal year 1999 shortfall that we are experiencing because of the change in the cost collection authorizations that we had relied upon in the earlier days of the program.

I would just encourage the committee to respond favorably to that request. This is a one-time problem. When Congress first authorized the fee demo program they did authorize up to 15 percent of the fees to be used for fee collection. The general authorities have changed as the program has been extended. We are now finding that the Park Service has a shortfall, and we would like permission to reprogram some of the fees to cover the shortfall.

In particular, the shortfall will be most severe in the agency review in Washington, and our concern is that if we are to provide the type of oversight which GAO felt was helpful, funding is needed to pay for project review in Washington. I think that is where you will find your greatest cost accounting and scrubbing of projects to make sure that the projects that are funded are the ones that are the most useful.

I think the only issue that I would probably differ with GAO about is in the need for a more equitable adjustment in the fee structure and that the Park Service needs to be more creative in the way that they set their fees.

There is a part of me that thinks this might be a solution looking for a problem. Given the high range of acceptance the public has expressed for the fees, I am personally not persuaded that people are going to change their overall vacation schedules if they might get a \$15 entrance fee at Grand Canyon if they go in December versus a \$20 entrance fee if they go in July. I am not persuaded the average American is going to make that much of an adjustment in their travel schedules based on a small adjustment like that, but overall we could not be more pleased with the assistance from GAO. We think they have done an excellent job in really helping us with the management of the program.

I know you need to have me keep moving so we can get the agency folks up here unless you have any specific questions.

Mr. Regula. We intend to do our video conference at this point. Then we will bring the rest of the team up. And if you will stay Mr. Barry, and also GAO, then we can offer the questions, and we will have some other members probably joining us.

Mr. Barry. Mr. Chairman, if I could also just mention, we also have John Trezise with us today from the Departmental Budget Office in case there are any specific questions that you care to direct to John.

Mr. Regula. Okay. Well, we are experimenting today and, I think that this is something we hope to use in the future. Debbie says it is Star Trek. We are getting the Congress in the 21st century.

Mr. Sanders, you are first for us in doing this. We are going to hear brief testimony from your field unit, and you have had success with your rec fee program.

boundary waters canoe area fee project

Mr. Sanders is the Forest Supervisor of the Superior National Forest in Minnesota. He will discuss the Boundary Waters Canoe Area Recreational Fee Permitting Project. Each member here should have a folder with information. After he makes a brief statement, we will take a couple of minutes to ask questions.

So welcome, Mr. Sanders. We appreciate your summarizing your experience with the rec fee.

Mr. Sanders. Good morning Chairman Regula and members of the subcommittee. It is a pleasure to be with you today here from Minnesota's Superior National Forest helping pilot test this new technology.

The Superior National Forest is a 3-million acre national forest in northeastern Minnesota, with Canada to the north and Lake Superior to the east and to the south. The Boundary Waters Canoe Area Wilderness is a unique wilderness with the water based wilderness located in the northern portion of the Superior National Forest. It is over a million acres in size and it extends for 150 miles along the international boundary with Canada.

It has about 1,200 miles of canoeing waters, some hiking trails, and 2,400 campsites. The Boundary Waters are visited annually between May and September 30 by over 200,000 people. That equates to a conversion of about 1 1/2 million visitor-days annually. So it probably is the most used wilderness in the United States.

Our management plan for the Boundary Waters calls for a budget of about \$2 1/2 million annually to keep up with this use but our allocation since the mid-nineties has averaged about \$1.6 million.

fee collections

We talked to users about how much they felt they should pay, how to collect the fees, and how the dollars should be used. What we ended up with is a fee schedule for overnight use only. May 1st to September 30th is the season for Boundary Waters; we charge \$10 per person per trip into the Boundary Waters for adults; charge for youths up to 17 years of age is \$5; and for senior citizens 62 years and older it is \$5.

We also have a seasonal fee for those who make multiple visits: \$40 for adults; half that for youths 17 and younger; and half that for senior citizens 62 and older. We wanted to

focus on overnight so that, if they came in for the day and left for the day, they did not have to pay a user fee.

overnight use

Again on collection, our fee is collected for overnight use only for May through September 30th. Last year being our first year, we collected a little over a million dollars for overnight use in the Boundary Waters. And as you talked about with others this morning, of that allocation, we can use 15 percent of that for the fee collection. Eighty percent of that fee is maintained on the Superior National Forest for use in the Boundary Waters.

As far as fee collection, we spent about \$115,000 for the first year for fee collection. We expect that fee collection costs will go down over the next couple years. As far as the \$800,000 we had available to us in 1998 for the Boundary Waters, we spent 75 percent of the fees that were collected in 1998.

Our major objective was to demonstrate to users of the Boundary Waters where those fees are going, such as rehabilitation work in the Boundary Waters. We extended our office hours so that folks could have easier access to our people. We have the Wilderness Education Program and we take rangers into the classroom.

I guess I could summarize the accomplishments by one of our seasonal wilderness rangers, who has been in the Boundary Waters for years. He said that the excitement was that he could finally focus on improving things he had been paddling by or walking by for years. He could identify them and go and get the job completed. That is satisfaction from our folks who live in the Boundary Waters as well as the users themselves.

user fee brochure

What you have in front of you in that packet is a brochure. And every person that gets a permit to go in the Boundary Waters will have a copy of that brochure entitled ``Your User Fees at Work!'' The front cover of that brochure, the picture, was donated by a local, renowned photographer, Jim Brandenburg. We spent no appropriated or fee demo dollars to complete this brochure.

Also in that package, you have before-and-after pictures that will give you a sense of what the trail sites looked like before improvements were made as well as what they look like when they are done. Part of getting ready for the fee demo program in the Boundary Waters began with a user evaluation. We continued that again last summer throughout the first year of implementation. The majority of the people felt that the fees were about right. About 70 percent said they were about right; 15 percent said they were too low. You can equate that with 82 percent who said they were happy with the fees. So about 13 percent said they felt they were too high. But our objective in setting the fee, rather than to hit the market value, is to use the fee demo along with appropriated allocations to meet both user needs and annual maintenance needs in the Boundary Waters.

public involvement

In your packets there are articles and also news reports of how successful the general program was in the Boundary Waters. It established and demonstrated early on a need for additional funding. Folks understood that and accepted that. We took our time; we involved the public before we implemented the fee program; and third, our highest priority was to demonstrate to users that their fees were at work. They saw that in numerous ways.

From my perspective, my thoughts for the future would be to make the fee demo program permanent. Allocations or appropriated dollars are not dropped off or decreased because of the fee demo. We feel that the two appropriations and fees need to go together. They need an appropriated allocation, user fees--a million dollars worth annually in the future from user fees--to meet those needs for the Boundary Waters.

Program flexibility: there needs to be flexibility in the program. One size will not fit all. I am accountable for making sure that what I do fits and is appropriate for the particular setting I have. We need to make sure that the dollars come back to the area collected. That is a big factor in people's acceptance, if they know the dollars are coming back here to the Boundary Waters. It is not only a challenge for us. As we have the fee program, we will continue to demonstrate that those dollars are at work and that the public can really see how their fees are being used.

The other thing is how to broaden the program to include projects, as well as different types of projects. But again, it is a pleasure to be with you here. It is really exciting to be back in Washington, DC. If you have any questions, I would be happy to take some.

permit availability

Mr. Regula. Well, thank you, Mr. Sanders. It sounds like you have involved the public pretty thoroughly in constructing your program as to what they felt would make a good approach on fees. Is that an accurate statement? You had a lot of public involvement?

Mr. Sanders. We did. We had a different setting with the Boundary Waters community in that permits have been required for users to go into the Boundary Waters since the mid-1970s, tied to the legislation creating the Boundary Waters. We have had a funnel point for the users to go in, and have had that funnel point for years. They could go directly to the mainland to pick up the permit, or they can come to our offices or some of the other locations where they can pick up their permit. We use the University of Minnesota to help us with focus groups, questionnaires, to talk to users as they came in as well.

We expanded to the Internet for people to be able to pick up their permit. The user fees are built right into the permit fee. They can get that over the telephone, use the Internet, or they can get it from our office, before they go into the Boundary Waters.

improvements

Mr. Regula. Would you just give us an example or a few examples of the kind of improvements you made with this money that will enhance the visitors' experience?

Mr. Sanders. We focused a lot on--like I said, we have about 1,500 miles of trail, different trails between the different lakes--improving those trails. We have something for that, before and after, in the packet. We also went to campsites themselves where we have fire grates--about 2,400 of those campsites within the Boundary Waters. We have latrines, wilderness latrines, at each of the campsites. We could begin replacing latrines and the fire grates, and continue with that.

We also have user education. We have litter bags with wilderness ethics written on the bags that we give to people to help encourage education on the use of the Boundary Waters.

We completed our annual maintenance work in July last year. Because of the increased fees in the Boundary Waters, we completed that in July of last summer. In previous years, we finished this in October. And so the amount of annual maintenance work we can do is almost twofold because of user fees.

Mr. Regula. Mr. Cramer.

Mr. Cramer. Thank you, Mr. Chairman.

survey results

Mr. Sanders, I am very impressed with your enthusiasm and oversight of this demonstration project. I know you have had a lot of input from the public. You contracted with the University of Minnesota to do a survey of public attitudes and response to the fee project. What changes have you made as a consequence of that survey?

Mr. Sanders. What we have found so far from the survey is that people are happy with the fee demonstration projects in place, and the fact that over 75 percent of the fees go right back out on the ground. It did not really point out a lot of areas that we needed to change and how we used the fees. What they can see is how we are using the fees to increase or improve the facilities that they were already using.

Mr. Cramer. All right. Thank you, Mr. Chairman.

Mr. Regula. Mr. Kingston.

discretion in fee uses

Mr. Kingston. Thank you, Mr. Chairman.

Mr. Sanders, what is the balance between the money that you have and the discretion to spend it the way you see fit or your survey directs you to and congressional oversight in terms of our role, or the Department of Interior, the National Park Service's oversight? You see what I am asking?

Mr. Sanders. I understand the question. I used those funds for facilities operation and maintenance within the Boundary Waters. We have complete discretion to use those fees, and the allocation, for the wilderness program. The answer is combining user fees and our allocation together to meet overall management needs. User fees cover costs over and above fixed costs. Our allocation covers fixed costs including salaries for full-time employees. I do not know if I addressed your question

or not.

Mr. Kingston. Let me make sure I understood what you said. You have your full discretion to spend it locally? Where does the buck stop?

Mr. Sanders. The buck stops with me as far as how those funds are used. I have full discretion for how those fees are used and how the appropriated dollars I get are used in that I take my appropriated dollars for the wilderness areas and they are spent on the wilderness areas. I cannot take those appropriated dollars or user fee dollars and spend them outside the wilderness area for other programs.

Mr. Kingston. Your user fees, and I know I have the statistic, but you collected about \$2 million; is that right? Did I see that?

Mr. Sanders. We collected over, a little over \$1 million.

Mr. Kingston. Okay. So within \$1 million, you have the ability to spend it any way you want; is that correct?

Mr. Sanders. Yes, we focus on operations and maintenance within the Boundary Waters.

Mr. Kingston. My question is getting to, it doesn't have anything to do with your parks, but the question is a bigger picture as we explore legislation to make this program permanently part of the law, how--what is your recommendation in terms of the parks' autonomy versus the goals of the Department of Interior or the Park Service, or Fish and Wildlife, or Congress, how do you ball park autonomy with what may sometimes be in conflict with what the parks want to do?

Mr. Sanders. From a national perspective, I would defer that to Denny Bschor, who is here for the hearing today.

Mr. Kingston. He might not be in Washington, but he sure knows the Washington game, Mr. Chairman.

All right. I understand. I know that generally this is reserved for smaller maintenance-oriented projects, and I am not looking for anything at all with this question; I am not digging. I am just thinking down the road there does come a point where you have to have local autonomy in line with the national objectives for the park, and that is the only reason I am asking the question, just something to ponder.

Mr. Regula. I might say, Mr. Kingston, anything over \$500,000 has to come to this committee for review and approval. So we have tried to have some oversight ability.

Well, any further comments you would like to make, Mr. Sanders?

Mr. Sanders. I will sit in on the rest of your hearing and I appreciate this opportunity to test the video teleconferencing. It is a unique way. What I really appreciate is you folks being able to put into place the program to allow us to meet the needs and the responsibilities I have and our employees have for the unique resources like the Boundary Waters. I really appreciate it. The enthusiasm that this program brought to employees and users within the Boundary Waters is greatly appreciated.

Mr. Regula. Well, thank you. I have one question. Can you see us? We can see you and hear you well.

Mr. Sanders. Yes, I can.

Mr. Regula. So we have a two-way--I beg your pardon? You can see the committee. Well, we saved the taxpayers some money

by not bringing you down here.

Mr. Sanders. It was great to----

Mr. Regula. Thank you very much. You have made our maiden voyage in this new technology a success thus far, and thank you for your time and for your enthusiastic support of the program.

Mr. Regula. Now we will have joining us Maureen Finnerty, the Associate Director, NPS, Park Operations and Education; John Rogers, Deputy Director, U.S. Fish and Wildlife; and Nina Hatfield, Deputy Director of BLM; and Denny Bschor, National Director, U.S. Forest Service, Recreation and Wilderness Resources.

So if you would like to come to the table and you will all be available for questions.

I think before we start questions, I will give each of you an opportunity if you would like to make any comments. You have had a chance to observe this program and hear the testimony. We will start just the way it is listed here.

Ms. Maureen Finnerty.

Ms. Finnerty. Mr. Chairman, I will just submit my statement for the record and be pleased to answer any questions that you have. We are highly pleased with the program the way it is going and certainly are working on a lot of the recommendations that GAO has made to us. We agree with a lot of them, so we just want to keep improving.

[The statement of Ms. Finnerty follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. So as we move toward permanent legislation we could anticipate that you will have recommendations that would make the program more effective?

Ms. Finnerty. Yes, sir.

Mr. Regula. Mr. Rogers.

Mr. Rogers. I would just ditto what Maureen said. We are very supportive of the program. Happy to be involved with it, and we will submit the brief statement for the record.

[The statement of Mr. Rogers follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. Nina Hatfield.

Ms. Hatfield. Likewise, Mr. Chairman, we are very supportive of the program and we have a statement for the record, and we are ready to answer any questions.

[The statement of Ms. Hatfield follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Regula. Denny Bschor.

Mr. Bschor. Thank you, Mr. Chairman. I will do the same. I think you have heard from one of our forest supervisors already and there are a bunch more out there that are just as excited about the program. I will submit my statement for the record, too.

[The statement of Mr. Bschor follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

signage

Mr. Regula. Let me raise a couple of questions. Are you getting signage on the parks so that the public, when they come to the booth and pay their fee, know that money, or at least a great part of it, is going to stay there? Are most of your units signed or will they be shortly?

Ms. Finnerty. We certainly strongly encourage and have actually asked parks to display signage. We did some past purchasing of signage and banners and brochures several years ago and sent them all out. We keep reminding them that they need to get these signs up. I am not sure we have 100 percent compliance, but we are getting better and we will keep working on that.

universal pass

Mr. Regula. I would like each of you to comment on the possibility of getting at least one universal pass, because I think particularly for seniors, because they travel a lot, and if they could buy a pass that would go for any public lands facility for let's say a period of a year, would that make sense? Could it reasonably be accomplished?

Mr. Bschor. Mr. Chairman, Maureen and I have already been meeting together on this, on that possibility, and feel that we need to move in that direction.

Mr. Regula. I think that most people don't make a great differentiation. To them, the public lands are the public lands, and this would move well. Would anyone else like to comment on that?

Mr. Rogers. I do think it makes ultimate sense and it would be something we would be happy to be involved with.

Mr. Regula. And you are working in that direction?

Mr. Rogers. Yes.

Mr. Regula. I heard the testimony, and I think the----

Ms. Finnerty. Mr. Chairman, we have had, as Denny indicated, a lot of--several discussions and will soon be joining with our two sister bureaus in the Department, now that we have authority for the national park pass. It is more important than ever that we simplify the system, streamline it, have it be clear to the public and also clear to the people that are collecting these fees out there on the frontline, because we can have such a complex system that everybody is confused all the time, not just the public. So we are working on that. We think it is a good opportunity to maybe streamline and maybe get a national public land pass.

deferred maintenance

Mr. Regula. One question and then I'll go to Mr. Cramer. Is it possible that each land management agency could give us a current and a fairly complete list of backlog maintenance needs, and if not, how soon could we anticipate getting that? We will just go down the line here.

Mr. Bschor. We are currently working on that in conjunction with Mr. Topik here. We should have some very good information

by the end of the fiscal year. It is an awesome job to try to get this maintenance backlog----

Mr. Regula. I am sure it is.

Mr. Bschor [continuing]. Pinned down because you really have to verify what is out on the ground. It takes quite a bit of time. We will have a very good, a much better, estimate than what we have ever had in the past.

Mr. Regula. I can understand. I haven't even verified everything on my farm that I hadn't anticipated.

Ms. Finnerty. We too, Mr. Chairman, are working on it within the Department. The Department has been very aggressively looking at deferred maintenance throughout the Department, and a consistent streamlined definition of the term. We are starting to improve our project management information system in the Park Service and get all of this database up, and it is improving daily and I think too by the end of the fiscal year we will have a much better idea. Our 5-year program for repair rehab is a beginning, but it is an enormous task in the Park Service because we have a wide variety of facilities. But we are working on getting that.

Mr. Rogers. Mr. Chairman, we do have a list of backlog needs that we are fairly confident in, but what is missing, as you well know, is the kinds of things that Maureen just spoke to, the consistency of definitions so that our list will be comparable to BLM's list or the Park Service list. But we currently have a list and we have some rough estimates of cost, but it is not comparable to what anybody else would have.

interagency cooperation

Mr. Regula. This is an aside question. Where you have adjoining facilities like a park and a forest, do you ever share maintenance equipment back and forth? I guess it is based on my experience as a village solicitor where the board of public affairs wouldn't share their backhoe with the council in a town of 1,500 people. I mean to me it never made any sense, but we have two fire departments even now. So I am just curious whether in the interests of efficiency you provide or allow or do cross work in maintenance.

Mr. Rogers. Yeah, I think it is quite common. Certainly among the sister bureaus in the Department of Interior, we do it very commonly.

Mr. Bschor. Mr. Chairman, I can speak from past experience, having recently come to Washington D.C. from a job as forest supervisor of the Mount Baker-Snoqualmie National Forest. We shared offices in several districts on that forest with Park Service employees. We also shared trail crews with the North Cascades National Park, and shared visitor information services there also.

Mr. Regula. Well, I am pleased to hear that, because we are all serving the same taxpayers and it certainly adds efficiency if you can share equipment, facilities and so on. Nina?

Ms. Hatfield. Likewise, we have a very active program and we are sharing facilities and employees. We have, as you know, a couple of pilot projects going in Oregon and Colorado which we call Service First, and we are very customer-oriented in terms of trying to improve our use of resources. We actually

share facilities in those pilots with the Forest Service and the State Fish and Wildlife Service. So we are doing it all over the country.

Mr. Regula. I understand that staff at BLM and the Forest Service have quite a bit of overlap really and do this pretty effectively.

Mr. Cramer.

Mr. Cramer. Thank you, Mr. Chairman. The representatives here today, I am very interested, Mr. Sanders here is the perfect witness and the way we have done it is----

Mr. Regula. Can you hear us, Mr. Sanders?

Mr. Cramer. We are praising you.

But what kind of checks and balances, and how do the lines of communication work with the fee program? Mr. Sanders sounds very much in control from the brochure that he is very proud of that reflects for the users what the money is going to, the before, after. It sounds to me like that he has a forest supervisor is making decisions about which, what I might call maintenance programs, to carry on with the monies that are collected, the almost \$1 million, that maybe \$800,000 has been available in the last fiscal year for him there.

Is that typically the way it works?

Mr. Bschor. Yes, that is typically the way it works on a National Forest. We have a planning procedure for all of our projects that has to be submitted to the Washington Office. We make sure that the basic criteria are in there and the basic objectives are in line with what we want on a national level also. But the managers, local managers, in the Forest Service have a lot of autonomy to spend those monies within the units as they see fit. As Mr. Sanders said, the money for that particular project has to be spent in the wilderness, the Boundary Waters Canoe Area Wilderness.

Mr. Cramer. And then you catalog and maintain information about what has been accomplished by the spending of those monies, of course?

Mr. Bschor. Yes.

passes available through internet

Mr. Cramer. He made reference to the pass or permits that are available through an Internet site. Is there--do each of you have an Internet site? Is there a master site I mean that reflects the permits, the passes that are available and how is that going and how long has it existed?

Ms. Hatfield. Well, we have a joint recreation.gov website that provides information, and I think each of us have some pilot projects. For instance, we have one in Arizona where you can actually get the permit and pay your fees over the Internet and do it as an Internet transaction. As a matter of fact, that was part of the innovation in terms of this particular pilot program.

Mr. Cramer. When was that begun?

Ms. Hatfield. The rec.gov I think went in about a year ago.

Ms. Finnerty. Last year.

Ms. Hatfield. And we are continuing. I think all of the participants are continuing to add information about our recreation sites to that, so it is a more robust informational

system to the public. And then, of course, the Internet sites that we are doing the permits are coming off of some of these pilot programs.

setting fee rates

Mr. Cramer. And that makes perfect sense and has enormous potential in this day and time.

How is it determined what fees are charged say for an overnight camper or for climbing, and how do you determine that when one park is 5 bucks, but in another place it is maybe \$15, and what oversight goes on to make sure that that makes sense?

Ms. Finnerty. Congressman, when this program came on line, we set some parameters and we actually set tiers of different parks, depending on visitation and facilities and what was there and that kind of thing. So we set ranges and then parks came in within those ranges, again, depending on the number of amenities, facilities, visitation, and those kinds of things. We will be reviewing this again this year. We are going to bring a lot of our folks together a little bit later in the spring to look at how the program is going, and see if we need to make some adjustment in the tier structures.

Mr. Cramer. Do you look at trends? I mean how much revenue are you producing when you charge 5 bucks versus \$15.

Ms. Finnerty. Yes. We are really going to get into an evaluation and possibly make changes based on what we are learning.

Mr. Cramer. I encourage you on that.

brochure package

Mr. Regula. Mr. Sanders, I want to congratulate you. That is an excellent folder, and I hope this will be a pattern that many of the other units will follow, because it clearly says to the public this is what we are doing, and gives them an opportunity to share in what is happening to their fees. So I think you have done well, and I hope the other agencies will use something like this as a model. As I understand it, you had a private source to print this. And I know we are probably not hooked up, but if you want to comment, we will see if we still are.

Mr. Sanders. I still hear you. Thank you very much. We appreciate that. We used a local foundation that we worked with here on the Superior National Forest to accomplish that printing. And that support and the public's support for the program are demonstrated by the fact that they donated the printing to us. Also, on the front of that, we have a world renowned photographer here in northern Minnesota. He donated that as well.

Mr. Regula. You are in Mr. Oberstar's district, are you not?

Mr. Sanders. That is correct, yes.

Mr. Regula. Well, I am going to tell him that you presented a great program for him this morning. I know he has been a big fan of the Boundary Waters in the past.

Mr. Dicks.

Mr. Dicks. Well, thank you very much. As I said earlier, I

want to welcome you all here, but I just want to say, I think this program can work, and I think there does need to be some adjustments.

One area, and maybe you have gone into this, Mr. Chairman, is this question about the back country hiking and this kind of thing, where some of the hikers have complained about the fees. Can you tell us anything about that, why that is?

Mr. Bschor. I might take that one.

Mr. Dicks, the Forest Service has had an experience with this program that I think has been somewhat unique in that we have charged fees in areas that we have never charged fees before because we never had the authority for that sort of thing. And where we have done a good job, like Mr. Sanders has explained, of doing the front-end public involvement work and really getting ahead of what the issues might be, we find that the acceptance has increased. Over time--especially once we find that the public sees that the money is going to good use on the ground, going back to the fees were collected--we see a lot more acceptance.

Initially, in several of our projects, we had some problems in really trying to get out ahead of the issues. We tried to get out ahead too fast. That caused some initial reaction. We are finding that with time, though, that is calming down.

Mr. Dicks. But let me ask you about this, even if it may have been asked. I hope that you will bear with me here.

Last month, in testimony before this subcommittee, a Forest Service official indicated that the reduction in the Service's road and trail budget wasn't a major concern because rec fee demo funding could make up some of the shortfall. As designed by the Congress, money generated by the recreation fee demonstration program is supposed to be in addition to, not in lieu of, other resources. Unfortunately, comments such as presented here last month give credence to those who say the program will not provide additional resources.

How do you respond to that?

Mr. Bschor. Our position is that we--these funds are not to be used to offset any other appropriations.

Mr. Dicks. I have had a little experience with the Forest Service, and with--you know, their financial systems are to say it best, unique, and not lending to, you know, very good accounting, okay?

But you know, we had the same problem with--we put some money in the President's forest recovery plan, and the money was in there for watershed restoration, you know, to do work on the watersheds. And I asked them, what are you doing with this money? And they said 80 percent was being used for roads. And I said, well, why is that? And they said well, because that is the biggest threat to the watersheds are the roads, so we are going to take all this watershed money and use it to fix the roads.

So what I worry about here is that we are--the Forest Service is going to do some smoke and mirrors on us and because you got \$11 billion backlog on your roads, and all of a sudden the rec demo money is going to be going into the roads because the roads are the most important thing in terms of access to the Forest Service trails.

Now, can you assure me that we are not going to go through

this game?

Mr. Bschor. I can assure you----

Mr. Dicks. Can we put him under oath, Mr. Chairman?

Mr. Bschor. Your point is well taken.

Mr. Regula. The kind of witnesses we have, we don't have to put them under oath.

Mr. Dicks. All right. Well, I just hope not. Because the Forest Service is very creative and when the money comes in for one area, diverting it into another area. I just hope that doesn't happen here. Because this is the good faith of the people out there who think that you are going to play with a level deck on this one, and I think the Park Service by the way has set a very good example here. Their financial systems aren't any better than yours, but at least I think so far we see them taking this money and using it.

Now, the other thing in the testimony that I wanted to know about, why is it taking so long when we know what these backlogs are to get this money obligated?

Mr. Bschor. Mr. Dicks, the Forest Service has had about 60 percent of the funds that we have collected already obligated and spent on projects, and we do not----

Mr. Dicks. The Park Service, Maureen?

expenditure controls

Ms. Finnerty. Mr. Dicks, we obviously are getting an incredible amount of money through this program because of concerns with this committee and others of the expenditure of large sums of money in the past, and the history of some projects and those kinds of things, the Secretary determined that he wanted to carefully look at----

Mr. Dicks. Secretary Babbitt?

Ms. Finnerty. Secretary Babbitt. And so those lists, they are all park lists, but they come through the regions and into Washington and the Department and we look at them, and we want to be absolutely sure that the projects meet the criteria and that they are the highest priority projects in parks. That has taken some time, and we hope to improve that significantly this year, because the process is getting better. We have better databases now.

Mr. Dicks. The military does. When they have to have preliminary design work done, 33 percent has to be accomplished before you can start. Is part of the problem here that you didn't expect to get all of this money and you are not prepared for it?

Ms. Finnerty. That is a concern, and there are not the staffing levels needed in the regions and in Washington to some extent. This is really a three-pronged project. Certainly the budget piece needs to be carefully looked at and the accountability of the money. Secondly, the projects. I mean we have approved 1,200 projects, in answer to your question, Mr. Chairman, and then there is the overall accountability for the fee program. So it is almost like a three-legged stool and you really have to spend a lot of time in reviewing the projects.

We do review projects over a half a million dollars that must come up to this committee for approval; we have a very strict review process. They have to have a class B estimate,

they have to have schematic design, they have to go through value analysis, so we are really paying very serious attention to particularly the big ticket items, and we have a lot of those.

recreation site brochures

Mr. Dicks. Are you doing a brochure like what we just saw for every park?

Ms. Finnerty. I don't know. I can't say that we have them in every park.

Mr. Dicks. Well, is it up to the park to decide whether they want to do this or not?

Ms. Finnerty. Do what, the brochures?

Mr. Dicks. Yes.

Ms. Finnerty. We gave them boilerplate language about what the park was about and we asked them to use that locally. Some have used it in brochures, some have used it in newsletters and that kind of thing, some maybe aren't using it at all, but we have strongly indicated to them that they need to publicize the program to the people to show them where the money is going.

Mr. Dicks. As we get more of the money obligated, there will be more of a story to tell.

Ms. Finnerty. Absolutely.

administrative costs

Mr. Dicks. How much are you taking for administration? Can we go to each agency here? How much is being used for administration, and how much is getting out on the trail? I mean how many people are we paying for? What is the Forest Service?

Mr. Bschor. The Forest Service has held 5 percent of the money for, basically, program management, nationally; 95 percent of the money goes out to the field.

Ms. Finnerty. Well, 80 percent, of course, stays in the parks, the collecting, and the 20 percent, we have spent less than \$1 million of that. So it is \$1 million of about \$25 million to \$28 million for oversight of the program. It is not enough, and we have a reprogramming request in front of this committee to increase that so we can get the staffing we need at the regional offices and in Washington. It is a minimal staff.

Mr. Dicks. You can't use this money for staffing?

Ms. Finnerty. Not for central offices.

Mr. Dicks. You can do it out in the regions.

Ms. Finnerty. No, not in the regions either. The parks can use their 80 percent money to fund the cost of collection in the parks and to fund personnel that are directly related to fee collection. There is no authority for us to spend money out of the 20 percent pot, which is the only remaining source we have for central office oversight; hence, we have a reprogramming request here to get us through this year, and we understand there is a base increase in the 2000 budget to provide central office oversight of this program. We hope the committee will look favorably upon that.

Mr. Rogers. The Fish and Wildlife Service is not spending

any of the money collected in the program for the administration of it. In four of our regions, 100 percent of the money collected stays at the unit where it is collected. In three regions, the 20 percent has come into the regional office, but that has all been spent on support of the program, that is production of brochures, maps, and the like.

Ms. Hatfield. Likewise with the Bureau of Land Management, all of the money remains on site, 100 percent of it. We have expended about 74 percent of what has been collected at this point in time. About half of that money has gone to doing maintenance to help public health and safety types of responsibilities. Some of it has been in terms of trying to develop the infrastructure for getting the fees collected in the first place, because we didn't have that in most of the areas in which we are now collecting fees. But as we look forward to the expenditure of these, we think it will go more and more to operational maintenance-type needs.

Mr. Dicks. How much are you collecting in this?

fee revenues

Ms. Hatfield. Last year we collected about \$3.5 million, which increased the amount of fee collections about 50 percent in the--I am sorry, it would be more than that. Before that, before the fee pilot, we collected about \$3.5 million across the bureau. With the fee pilot itself this last year, we collected \$3.5 million. And you know, our operating maintenance program for rec fee types of rec sites is annually about \$9 million. So you can see that even though the dollars are relatively small for the bureau, the importance of them are very important to us in terms of our overall program.

Mr. Dicks. What about Fish and Wildlife? How much did you collect?

Mr. Rogers. Last year we collected \$3 million in rec fees and estimate about \$3.5 this year.

Ms. Finnerty. Last year we collected about \$145 million.

Mr. Dicks. Wow.

Ms. Finnerty. \$136 million of it under the fee demo authority.

Mr. Bschor. \$20 million last year, and we are expecting \$24 million this year.

Mr. Dicks. This is on direct demo?

Mr. Bschor. Yes.

Mr. Dicks. Thank you, Mr. Chairman.

non-demonstration site projects

Mr. Regula. A question on the Park Service particularly. Have you done any projects in smaller park units that do not have the ability to collect fees out of the 20 percent?

Ms. Finnerty. Yes. We pretty much have made a policy call that that 20 percent pot essentially will go to the noncollecting park, sort of the small players, and that has been pretty much our position. The big players already have their source of funding.

Mr. Regula. Mr. Kingston.

Mr. Kingston. Thank you, Mr. Chairman.

incentives for small parks

Let me ask this of the National Park Service. There are a lot of smaller parks that are quaint and nice as is. Will this push some of them into, you know, building some things and doing some things that they really don't need to do, but they want to get the money? It would appear to me that a parks superintendent who wants to move up the ladder is going to be more aggressive and more assertive, and that one of the things, if I was starting at, say, Capulin Volcano, are you familiar with it?

Ms. Finnerty. I have not been there, no.

Mr. Kingston. It is a great little park, but it is little. You just get out of the car, walk around the volcano, go to the visitor's center, you are done in two hours.

Now, if I was park superintendent there and, you know, in my 30s or whatever, I would want to be ambitious and I would want to move up the road to the Rocky Mountain National Park or whatever. So I would want to start the fee service because I know that would be a feather in my cap. Even though it is not very necessary, you can say well, I will just put in a few more bells and whistles here, do a trail this way and do a trail that way and sort of be a little more aggressive than has been. Will this have that adverse unintended consequence?

Ms. Finnerty. You mean as far as the parks charging the fee?

Mr. Kingston. Yes, trying to both charge it and do something with it. The reason why I ask that, I would say I really think the National Park Service is pretty good about this, but in the State, I have seen State park services really like to do little projects and trails and stuff where you don't need trails, and you know, just kind of be a little aggressive because it is good politics for the park superintendent.

Now, I am saying that on the State level. You guys are a lot better about it. But I still would see that it would happen.

limit on number of demonstration sites

Ms. Finnerty. Mr. Kingston, under pilot fee we have 100 projects and that is automatic, so there is no slot available for a park to get in, although we are constantly evaluating. We may drop some areas to get some other areas in. We very stringently look at who gets into the program as far as is it really cost-effective to even collect fees. If you are paying more to collect the fee and you don't have about a two-to-one break, there is no sense in instituting the fee in that area, and we have a lot of areas that fall into that category. So that is the process that we are following and somebody getting into the program assuming a slot comes vacant.

deferred maintenance is expenditure priority

As far as the expenditure of the fee money, we have given very rigid instructions to the parks, based on the direction of the fee demo authority, but this is to go to backlog, that that

is to be the highest priority. It is to be things that are visible to the visitor. Any new construction, any building of anything new has got to come in for review, and also come to this committee. We have gotten specific instructions that we are not supposed to be using this additional money to build a lot of new things. We are to be using it to get at the backlog.

Mr. Kingston. You are saying that you only have it in 100 parks?

Ms. Finnerty. 100 projects.

Mr. Regula. The law limits it.

Mr. Kingston. And that would be permanent. That is not just the pilot?

Ms. Finnerty. This is under the pilot.

Mr. Kingston. But once it goes permanent, it would be more than 100.

Ms. Finnerty. Oh, absolutely. We would hope.

fee program incentives

Mr. Kingston. You know, what I am getting at again is the push within the park system of you know, let's do it and let's be aggressive about it. And you know, quite often the Park Service, as would any other government agency, you may maybe be a little super luxurious on some of the things they do.

Ms. Finnerty. We will look into that.

Mr. Kingston. Will this encourage that? And again, I say that more in the human nature context. It really doesn't have anything to do with management, but it is just going to be a push to hey, you know, I will do this.

Ms. Finnerty. There is always that possibility and I think that is why we put the procedures in place that we have to really look at every one of these projects very carefully and apply criteria and see if they meet the test. Is this really what should be done with this money or is this going beyond really what is important. That is one of the reasons we have put a lot of the reviews in that we have now.

Mr. Kingston. The reason why I say that is, you know, and I don't know if this is--if there is a problem with Yellowstone wannabees, but you can understand that there are a lot of nice, quaint, sleepy little national parks and that is the way they should be, and not everybody should be Yellowstone. But I could see within the system that hey, now I can do something to get me on the map and work for my next promotion, next assignment.

golden eagle pass

Let me ask you this question. In terms of the Golden Eagle Pass, it is really one pass per vehicle, correct? I mean you can get the entire family in on one pass? It is per vehicle, not per family?

Ms. Finnerty. Yes.

Mr. Kingston. Mr. Sanders had talked about \$5 per child, and I don't know how he is splitting that up, because they are all getting out of the canoe, but one of the things that I wish you would be sensitive to, and you are when you charge per vehicle, is if you have a family of 6 kids, and you are talking \$5 per child, you know, it is pretty hard. I mean, you know, we

are always saying well, let's do something for the seniors, let's do something for the veterans. We always forget about the sandwich generation, and those people with small children really need to be considered in whatever kind of Park Service you have that you can buy a family pass and if you have 23 kids, we want to give you that tax break you need very badly. And so I don't know if you will consider that, but I would love to see that in the formula.

fee collection arrangements

The other thing is, are any of the gates privatized, the entrance gates?

Ms. Finnerty. You mean as far as fee collection?

Mr. Kingston. Yes.

Ms. Finnerty. We have some cooperative relationships with cooperating associations that do some fee collection with us in a number of areas, and yes, we have some of that. But for the most part----

Mr. Regula. If you will yield, I bet you use volunteers a lot of times in the Park Service for that.

Ms. Finnerty. That is correct, yes.

Mr. Kingston. Because it would appear to me that as the park rangers are professionals, Forest Service professionals and botanists and so forth, and most of them are well educated and so forth, that the gates could be done on a bid basis by concessionary in that sort of arrangement.

I don't know, Mr. Chairman, if the committee has ever----

Mr. Regula. Well, Mr. Kingston, I will say in my experience in visiting parks that oftentimes the gates are staffed by volunteers and in my chats with them they love it. It gives them a mission, and they feel like they are part of it.

Ms. Finnerty. We are also experimenting with automated fee collection in a number of parks and hope to get many more parks on line with the use of credit cards and that kind of thing so we don't have to have the labor-intensive expenditure in building gates and that kind of thing. We are trying some of that, and we are going to look at more of that.

Mr. Kingston. Do you know how many--of your parks, how many use the volunteers versus----

Ms. Finnerty. You mean for fee collection?

Mr. Kingston. Yes.

Ms. Finnerty. I don't have that with me, but we would get that for you certainly.

Use of Volunteers in Fee Collection

The majority of fee collection personnel in the National Park Service are seasonal, term, or permanent employees. Many parks utilize volunteers to sell permits and passes at information centers, or to collect campground fees. In general, Volunteers-in-Parks are not assigned primary collection duties at entrance stations. Volunteers used for fee collection activities must be covered by surety bond and have adequate training and supervision.

Six percent of the National Park Service fee demonstration projects involve collection by cooperating associations or concessionaires.

Mr. Kingston. It would just appear to me that that would be a great potential savings for parks.

Ms. Finnerty. There is a lot of it, I can assure you.

Mr. Kingston. I am interested in that.

project review

Also, do you want to comment about the question I asked Mr. Sanders earlier about the autonomy versus the mission. Do you feel that the 100 item list of enumerated items is specific enough that that is going to handle it, the \$500,000 limit is in there as a threshold? Are the checks already in place in terms of the autonomy question?

Ms. Finnerty. Well, we are bringing all of these projects into Washington for review, which from what I hear, the Forest Service is not doing, because I think that is largely because of some past difficulties we have had. Also, it's because of the size of our program and the scope and complexity of a lot of these projects.

As the system becomes refined and we get better at the accounting and accountability question and get better lists and we see some real progress, I would hope maybe we can delegate this back out, at least at the regional levels, and providing they have the staff in place to conduct these reviews. Right now it is all coming in here for review.

demonstration end date and permanent extension

Mr. Kingston. Mr. Chairman, when does the pilot end?

Mr. Regula. 2001.

Mr. Kingston. And at that time, if it is successful, which it seems to be, will all Park Service and all----

Mr. Regula. That will be dependent on us and the authorizers. In theory at least the authorizing committee ought to do the permanent language, because we have done the pilot program and they or this committee will have to decide whether to make it permanent and expand it beyond the 100 in the demonstration. It is a demonstration project. That is, I guess, the important element I would inject. And we just sort of picked 100 arbitrarily.

additional revenue under permanent program

Mr. Kingston. Is it safe math to say just for the National Park Service, \$145 million, you multiply that times 3 1/2, and that would be what----

Mr. Regula. Are you saying how much they will get over the next 3 1/2 years?

Mr. Kingston. No. Once you go off the pilot. Are there around 365 parks? I know not all of them would fall in.

Ms. Finnerty. We won't, I don't think, ever be collecting fees at all of our parks. It is just not feasible for many reasons, and most of the big fee parks are now in the program. Certainly if we had more slots, we could add more parks and try some different things. But we still have I, think, 50 or 60 other parks that are outside the fee demo program collecting, so it is conceivable they would come into a broader program

with unlimited authorities.

fee collection improvements

Mr. Regula. I was just thinking, you could do the trick at the gasoline pumps now where you stick the credit card in and out comes your pass. Really it would be a very efficient way, I think.

Ms. Finnerty. Well, I think as the GAO indicated in their statement, we have some real concerns about the cash handling and exposing our people to vast amounts of cash, and we are really trying to get as automated as we can in a lot of areas.

Mr. Kingston. As the chairman said, if you go through a toll bridge now and you have that decal, the Golden Eagle pass is on your window, then you just drive right through if you have one.

Mr. Regula. I guess that is why it is a demo project. You are starting out with all of the experiences you have had, and Mr. Sanders likewise with the Boundary Waters, in making the system efficient and avoiding any future cases where cash disappears. This would be not a good reflection.

One question. Some Forest Service recreation fee demo projects have received more criticism than projects from other agencies. Give us a little background. I think I understand that it is because people historically have been so used to running in and out of the forests without any kind of fees. I know in southern California at Venture Pass, you have had some problems. You might like to comment on that.

Mr. Bschor. Mr. Chairman, the situation is just what you said. A lot of our areas, most of our areas, never had a fee. That has been the source of some of the problem. We have also had a couple of areas where, as we have gone through the pilot phase, we have determined that there are some things we should do differently. The Sawtooth is an area where rather than have a fee for anybody who enters the forest, we are looking just at parking areas and that sort of thing. The same thing on the White Mountain National Forest. The forests of Southern California present a fairly unique situation due to very, very heavy use. There have been fees in that area before at the county level. Just the logistics of trying to--an entry station does not work there because it backs up traffic clear into Los Angeles. We have to look at some sort of a broader fee. There is opposition to that from some sectors. If you look at some of the statistics, though, once again, we had at least 3,300 response forms returned. We still see favorable responses overall. We just need to continue to work with those local publics on ways we can work out the differences.

Mr. Regula. I think safety is an increasing challenge on the public lands. Are you using any of the fee money to beef up your security forces in the areas in question?

Mr. Bschor. Yes, we are in the Forest Service. I cannot remember the exact figure, but about, I think around 5 percent of the money has gone to law enforcement improvement. Also, just having our people out in the field--it doesn't have to be law enforcement people----

Mr. Regula. Just being there.

Mr. Bschor. Just having our recreation folks out in the

field just having that presence, adds a lot to the security too.

impact of higher fees on visitation

Mr. Regula. Mr. Hinchey was questioning whether the fees are inhibiting the usage especially for [low-income people]. Do you have any evidence of that? Do any of you want to comment? Have fees changed the mix of your users?

Ms. Finnerty. Our visitation figures have remained about stable service-wide. We have had, as has been reported here, good public acceptance to the program from those visiting parks. The question that we can't answer and we are going to try to get an answer to is the fee structure, keeping people from coming to parks, and we are going to be doing----

Mr. Regula. You are exploring that?

Ms. Finnerty. We are exploring that this year. We are going to do some Gallup poll type surveys in communities outside of parks and that kind of thing so we have a little better idea if it is actually a deterrent to people coming into the parks.

Ms. Hatfield. Mr. Chairman, the Bureau of Land Management participates in a national survey with a group of other organizations, and we have begun to ask some questions about that so we would get some more nationalized information. But I think that will probably be this next year.

Mr. Regula. Well, I think in places like Los Angeles where you have a huge urban population and it is probably one of the major outlets. Yet when I was there I saw some horrible vandalism of a new picnic facility. Obviously somebody came in on one of these trucks with huge tires and just drove over top of everything. That is something I can never rationalize as to why anyone does it. But I think the safety issue, we have this experience in Yosemite which has been in the news and I don't think that that was the lack of safety standards. It is just that no one seems to know exactly what happened to those three people.

But do most of the States that have sizable parks charge fees for their units? Does anyone know?

Mr. Bschor. I assume so. All of the States I have worked in do. But once again, maybe not all of the units charge a fee, but predominantly----

Mr. Regula. Pretty common?

Mr. Bschor. It is pretty common.

Mr. Regula. Yes. Well, I think we will have some questions for the record, but I appreciate very much your being here, and Mr. Sanders, for your contribution.

Let me close with two points. Please, get your units to have signs so the public knows that when they pay that fee, it is benefiting their experience, their safety, and their enjoyment. Secondly, I like the brochure idea. I think Mr. Sanders has a very good example of that, and I would hope that every public land when they pay their fee that they get a brochure that tells them what is happening. But I have to say in my interface with the public and when we were out last summer just talking casually, people are very supportive. As soon as they know the money is staying there, that alleviates any concerns.

We felt so strongly that we took a \$90 million hit on our budget from the Congressional Budget Office because the fees that have been going to Treasury are now going to the parks, and so we had to make up the shortfall to Treasury, which I thought was a bit unfair. But it was worth absorbing it to get a program that I believe in the long term will be very beneficial to the enhancement of the public land experience.

So thank you again, and thank you gentlemen from GAO. It is, I think, a good example of a team effort where we all have an objective to trying to make the service that we give the public better.

Thank you. The committee is adjourned.

[The following questions and answers were submitted for the record:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Thursday, April 22, 1999.

GENERAL ACCOUNTING OFFICE

WITNESSES

VICTOR S. REZENDES, DIRECTOR, ENERGY, RESOURCES, AND SCIENCE ISSUES
SHERRY McDONALD, SENIOR GAO EVALUATOR
CHET JANIK, ASSISTANT DIRECTOR

Mr. Regula. We will call the committee to order and get the hearing started.

Opening Remarks of Chairman Regula

I think we have a very significant topic this morning, with far-reaching consequences. It is rather interesting, perhaps very appropriate, that this is Earth Day. Certainly what we are talking about has a lot to do with the future of Earth Day in Florida and down there in the Everglades--and the water problems are Earth Day everyday.

In 1993, the administration initiated the South Florida Restoration Project intended to restore the Everglades by diverting substantial amounts of water from central Florida to the National Park and South Florida Bay. These areas have experienced significant environmental deterioration over the years because of reduced water supply and agricultural pollutants.

So far, Congress has provided, \$1.3 billion for this project since 1993, \$665 million of which was appropriated through the Interior and Related Agencies appropriations bill and the balance in other committees.

Because of the large number of Federal, State, tribal and local partners involved with this project--the complexity of the issues, the Federal expenditures to date and the future costs, which are estimated to be \$11 billion, the Committee asked the General Accounting Office to review several issues: One, how effectively has the \$1 billion provided to date been spent? Because we do have a responsibility to be accountable.

Two, how well has the restoration effort been coordinated and managed? There are a lot of players here, and that is a

real challenge.

Three, are there any issues which left unresolved could significantly impede the progress of this effort in the future?

Aside from these key issues, there is another related project which has attracted national press attention. That is the draft Army Corps of Engineers restudy proposal. This is the document that provides the details of how the man-made plumbing system, which will eventually determine how water is delivered to the natural areas, will be constructed. Initial reaction from the scientific and national environmental community, as well as the Department of Interior officials, was that the plan emphasized urban water supplies at the expense of environmental goals.

This problem developed because key agencies involved in the restoration effort have multi-purpose missions that differ and sometimes conflict. While the Interior Department's goal is to preserve the natural resources of the national parks and wildlife refuges by restoring water flow, both the Army Corps of Engineers and the South Florida Water Management District have several missions, including water supply and flood control in addition to restoration of natural resources.

This oversight hearing is intended to focus on both the positive accomplishments of this initiative as well as areas where improvements need to be made to ensure that the goal of restoring an adequate water supply to the Everglades is met as well as ensuring that the American taxpayers' dollars are being wisely and effectively spent.

I may be summarizing. There are really--good morning, Mr. Cramer--three missions. One is to ensure that there will be fresh water in the aquifer on the east coast, and there is an enormous demand will be obviously exist in the future years, and there is a danger of the salt water moving in and against the fresh water. So to ensure an adequate supply of fresh water for the estimated 12,000,000 people is a goal. The second goal, of course, is to restore the flow of water in the so-called River of Grass in the Everglades to ensure that the ecological values there and the environmental characteristics are maintained. Thirdly, of course, are the agriculture interests which are a very significant part of the Florida economy. To balance all these things is the challenge of this time and what we have asked the GAO to look at.

We are pleased that the chairman of the full committee could be here this morning, and be part of this hearing. And, Mr. Chairman, if you would like, you might want to make some comments because it is your State, and you have some interest. And, as you were telling me earlier, you started on this type of topic as a member of the State legislature.

Opening Remarks of Chairman Young

Mr. Young. That is exactly correct. Mr. Chairman, thank you very much for inviting me to be here this morning for your hearing. I want to thank you and the members of this subcommittee for the interest that you have already expressed in this problem in the Everglades area of Florida. Water has been a big issue in Florida. Sometime we have too much and sometime we do not have enough. And the Everglades are a great

example of that. So, I agree with Mr. Regula on the need to look at where we should be going. I think the report that you all have done for us is very, very helpful. I would like to emphasize the points that Mr. Regula made and also suggest that somewhere along the way, we have to figure out how we are going to bring some management to this issue because there are so many interests involved--State, local, Federal, agriculture, environmental. With all of these interests, we need to have some kind of a cohesiveness in managing the problems with the Everglades system. Mr. Miller and I are planning to have a congressional visit to the region very shortly after this hearing takes place. Hopefully, Mr. Chairman, you will be able to go with us.

I wanted to welcome you here, and thank you very much for the work that you have done. I would be very happy to hear your recommendations.

Mr. Regula. Great. Thank you, Mr. Chairman. Do you want to make a quick comment, Mr. Cramer?

Mr. Cramer. Just a quick comment. I am substituting and glad to be here for Mr. Dicks. He will be here shortly. He is very concerned and interested in the issues and wants to raise some issues on his own. But we look forward to your testimony. Thank you, Mr. Chairman.

Mr. Regula. Mr. Miller.

Mr. Miller. I am glad you are having the hearing. And we--

Mr. Regula. We are glad to have you back. Do you want to rejoin the committee? You will be welcomed.

Mr. Miller. Thank you.

Mr. Regula. This may not be as exciting as the Census, but--[Laughter.]

We are pleased to have representatives from the General Accounting Office with us today. Welcome Mr. Rezendes, Director of Energy, Resources, and Science Issues, and you are accompanied by Sherry McDonald and Chet Janik.

And from having read the report, I think you have done some good work. We appreciate your comments for the committee members.

Mr. Rezendes. All right. Thank you, Mr. Chairman. I will submit my whole statement for the record.

Mr. Regula. Yes, your entire testimony will be made a part of the record.

gao testimony

Mr. Rezendes. As you know, we are releasing our report today what we did for you and several other members.

Mr. Regula. Right.

Mr. Rezendes. Basically, let me summarize two of the objectives that you asked us to address. One, how did the Federal Government spend their money? And what did--and how much was spent? And the second relates to how the project was coordinated and managed.

Let me deal with the first one. As you know, there is no single source of appropriation for this project. Congress has provided some direct appropriation as well as the agencies themselves have used their appropriations to help fund some of the operations there. Since there is no consolidated financial

statement on this, we had to work with the agencies involved and try to come up with an estimate as to how much has been spent.

Over the last six fiscal years, \$1.2 billion has been spent on the project. And they have spent the money as you would expect they would. Most of it has gone to land acquisition, to managing the federally-owned facilities which impact the initiative. Some of the other things they spent their money on is science activities, water quality, habitat protection, and information management assessment, such as coastal mapping-- those sort of things.

I would like to point out that the \$1.2 billion is only a down payment. While there is not a comprehensive estimate as to how much the project is going to cost, the replumbing piece, which you mentioned is the restudy, is \$7.8 billion. That cost will be split, 50-50, with the State.

In addition to that, there will be another \$2 billion more needed to acquire additional lands, construct other infrastructure projects and also to eradicate exotic plant species.

Mr. Young. Did you say \$2 billion or \$2 million?

Mr. Rezendes. Two billion. Two billion. That is a ``B.'' That is correct.

In total, we expect this to take at least 20 years and cost at least \$11 billion.

Let me deal with the second question which was, how was the project coordinated and managed. Our big concern here is that they do not have an overall strategic plan for the restoration effort. I want to point out that they have a lot of plans and documents in place, and they are still working on some others. However, none of these, either separately or collectively, contain all the key elements that we believe are necessary for a good strategic plan.

Restoring the Everglades, as you mentioned, is a vast undertaking and is unprecedented in cooperation. The task force is a first partnership of its kind and coordinates restoration activities with the Federal, State, local, Indian Tribes, not to mention the general public.

However, the task force is a coordinating, not a decision making body. We found that even with the coordination of the task force and others, two ongoing infrastructure projects that were integral to the restoration of the effort are taking two years longer and costing \$80 million more than planned, in part, because the agencies involved have not been able to agree on key components of the project.

Federal and State officials told us that agencies involved in the restoration effort have multi-purpose missions, and these often conflict with the restoration effort. As a result, we are making two recommendations. The first is that they need an overall strategic plan that outlines how the restoration effort will occur, identifies the resources needed to restore the Everglades, assigns accountability for accomplishing those tasks, and links the strategic goals to outcome-oriented annual goals.

The second recommendation deals with the need to develop and agree upon a decision making process to resolve disputes.

That is pretty much the summary.

[The written statement of Mr. Rezendes follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

strategic plan

Mr. Regula. It boils down to having an overall strategic plan so that money does not get frittered away and to have somebody in charge, is that a fair summary?

Mr. Rezendes. That is pretty close. The only thing that I would say is we are not looking for the Federal Government to try to usurp its authority over the State and the local Indian tribes.

Mr. Regula. Well, I understand.

Mr. Rezendes. What we are looking for is some agreed upon process, so when there are conflicts, everybody knows ahead of time how those conflicts are going to be resolved, either with time frames for resolution or mediation or whatever the process is going to be reach closure.

Mr. Regula. Mr. Chairman.

Mr. Young. Mr. Chairman, thank you very much. And I think your one comment basically answered all of my questions, and that is that we do need a plan. We do need some coordination between the various interests. But now the Corps of Engineers restudy is intended to modify the existing Southern Florida Project to improve the Everglades and the Florida Bay Ecosystem and other water-related needs. Is this restudy going to become the master plan for restoring the Everglades?

Mr. Rezendes. It is part of it. It is probably the biggest and most expensive piece, which is getting the water right and getting the replumbing working. But there are two other aspects to the restoration effort. There is also the environmental piece here, which is restoring the actual species and the plant life in the Everglades.

cost of restoration

Mr. Young. Your report indicated that one goal of the restoration effort was expected to cost \$7.8 billion. You have already addressed that in your statement. My question was going to be how much additional cost would there be? You have already answered that, because you have got up us to \$11 billion.

Mr. Rezendes. Correct.

Mr. Young. Over what period of time would that \$11 billion need to be spent in your opinion?

Mr. Rezendes. That is 20 years--over a 20-year period.

Mr. Young. And how much of that would be required for Fiscal Year 2000?

Ms. McDonald. The agencies, I believe, in total are requesting \$312 million for next year. The restudy itself is scheduled to be presented to Congress on July 1st for approval, and then after that point, it would be in increments over the next 20 years.

Mr. Young. Okay, now. Is \$312 million, is that the Federal share or is that the total?

Ms. McDonald. That is the Federal share.

Mr. Young. That is the total share. And that is--that would

be on 50-50 basis with State?

Ms. McDonald. The \$312 million would be what the Federal agencies are requesting for the year 2000 for their activities to restore the ecosystem.

Mr. Young. So would the State be asked to----

Ms. McDonald. The State will also be----

Mr. Young. Fund an addition or similar level----

Ms. McDonald. Providing money as well. And we can provide that amount.

Mr. Rezendes. We tried to compute how much the State has spent. They are on a different Fiscal Year than we are. But over a five-year period that we looked at, it was about \$1.5 billion.

Mr. Young. Is there a formula of State-Federal funding? Does the formula include local participation or is that considered part of the State's participation?

Ms. McDonald. We would include that in what the State is putting in.

Mr. Young. So basically it is 50-50.

Mr. Rezendes. Right. Exactly.

Mr. Young. In your statement, you make a point that consolidated financial information is not available. Why do you think that information is not available? Is there a reason?

Mr. Rezendes. It is the way the project is being funded and managed. There are a lot of Federal agencies involved--five key departments. Each has their own appropriation accounts; their own way of accounting for things. The funding spent on the project has never been presented to Congress as a consolidated statement in terms of managing the project as a line item. Rather, it is pieced in the Corps of Engineers, in Interior's budget, EPA's budget, Commerce's budget.

Mr. Young. Who would be the right person or the right group to make that presentation to Congress or does that group not exist yet?

Mr. Rezendes. Well, I think the task force, through the Department of Interior, which chairs that task force, is responsible for coordinating the project. And they do put together a cross-cut budget every year. Excuse me. But we found some problems with the budget itself in terms of not being consistent, and not identifying all the money that needs to be in there.

Mr. Young. So to sum it up, in your opinion, we have a lot of work to do to get a more manageable coordinated, cohesive effort so that we are speaking with one voice and developing one workable approach?

Mr. Rezendes. We would agree with you on that. We would like to see some clarity. We think it would make your job easier as the funder of this project to know exactly what all the requirements are, not only for what you fund out of this subcommittee, but in general from the Federal level and how that needs to be done on a Fiscal Year basis. The funding should also be tied to the goals they are trying to achieve on the project so you will know what you are paying for.

Mr. Young. We like that.

Mr. Rezendes. Right.

Mr. Young. We would like--I think we have that responsibility to our constituents and our taxpayers to know

what they are getting for their money.

Mr. Chairman, thank you very much for the opportunity to ask these questions. Would you mind if I submitted some additional questions in writing?

Mr. Rezendes. We would be happy to answer those.

Mr. Young. Could you respond to those for the record?

Mr. Rezendes. Fine. Fine.

Mr. Young. I want to do that, and thank you very much.

Mr. Rezendes. All right. Thank you.

Mr. Regula. Mr. Chairman, I do not know how long you can stay, but we do have representatives from Interior here, Department people who are responsible for Interior's portion. You may want to question them if you are here, or submit questions to them for the record.

Mr. Young. Well, Mr. Chairman, I was just handed a note that they need me in the front office, at least within the next five minutes.

Mr. Regula. Well I do not think we will get to them by then.

Mr. Young. I have an idea that another leadership meeting has been called on the subject of the supplemental.

Mr. Regula. Nothing to do with the Everglades?

Mr. Young. I hope that the Kosovo activity would not have any repercussions to the Everglades. [Laughter.]

But thanks--and I apologize for having to leave--I did have it--planned to stay. But I think I had better go and see what they need.

Mr. Regula. Well, we appreciate your coming, and by all means, I would like to join you and Mr. Miller and any others in getting an on-the-ground look. We were down there about a year ago. It is a challenging problem to meet the water needs, to meet the ecological needs, to meet the agriculture needs, and do it in a balanced way without wasting money. So, thank you for coming.

Bottom line question: do you think this project is well managed?

Mr. Rezendes. When we looked at two individual projects, we saw problems. We saw delays. We saw cost overruns. We do not see a good way to resolving conflicts. However--and I know Interior is going to make this point themselves--they have come a long way. They have done a lot of things already. I do not want to paint too negative a picture here, but we see problems. We see the future fraught with danger. But we think that it can be cleaned up.

modified water deliveries project

Mr. Regula. I think you mentioned two projects that you looked at. Would you give us a few specifics on what you saw in those projects which are probably endemic to some of the other----

Mr. Rezendes. Sure. Right.

Mr. Regula. Pieces of this.

Ms. McDonald. The two projects that we looked at were the Modified Water Deliveries project and the C-111 project. Both of those projects are intended to help restore more natural hydrological conditions to the Everglades National Park. In the

case of the Modified Water Deliveries project, there is a residential area adjacent to the east Everglades addition to the park, which the agencies have been unable to, for a period of time, agree on whether they should fully acquire that land, partially acquire that land, or exactly what they should do. The Corps and Interior----

Mr. Regula. When you say agencies, are you talking across the board?

Ms. McDonald. The agencies primarily involved in this project are the Corps of Engineers, the Department of the Interior----

Mr. Regula. Right.

Ms. McDonald. And the South Florida Water Management District.

Mr. Regula. And they have not had a consensus on how to deal with this challenge?

Ms. McDonald. In 1992, they agreed on a mitigation plan that included a levee around the residential area. Subsequent to that agreement, it became apparent to the Everglades National Park that this solution was not a sustainable one; that at some point the residents of that area were going to want full flood protection, which they currently did not have. However, it was not until 1998 that the decision was reached to fully acquire the area. However, that issue is still not settled. The Miccosukee Tribe is challenging that decision. There may be some unwilling sellers and the NEPA process is ongoing. So it is still not quite certain at this point what the outcome is going to be.

Mr. Regula. Will the strategic plan address that?

Ms. McDonald. A strategic plan I believe if it were put together would lay out exactly what had to be done, and there would be time frames for accomplishing these things. We believe if such a plan was put together that these problems would be identified early, and perhaps could be resolved in a more timely manner than what we are seeing at this point.

Mr. Rezendes. Especially if they are tied to annual goals. If you are giving the money and we know that the completion of the eight and half mile track here that Sherry is talking about was going to be completed, you would know what to expect by the end of that year.

Mr. Regula. You are saying that we are appropriating without knowing exactly where the money is going to be spent or in what way it is going to be spent, is that correct?

Ms. McDonald. The money has been appropriated for land acquisition, and it will be used for land acquisition. The problem is that it tends to take longer than one would normally expect to resolve these issues and the projects themselves are being impacted by that.

Mr. Rezendes. Well, this is more than just land acquisition. Originally, the Corps of Engineers' solution was to actually build canals around the area and some kind of dam--
--

Ms. McDonald. Levee.

Mr. Rezendes. Levees around the system to mitigate any flood that would occur as a result of the project. But then I think it became obvious that this area had routinely been flooded regardless of whether they were doing on the project.

Mr. Regula. Is there not a levee on the east side of this area in question? I was down there, and I recall overflying that.

Mr. Rezendes. Right.

Mr. Regula. And the natural barrier is that levee that runs down----

Mr. Rezendes. Right, and the properties on the east of that.

Ms. McDonald. West of the levee.

Mr. Rezendes. West of that. Sorry.

Mr. Regula. Are the conflicts in the missions part of the problem in determining how to address this type of situation?

agency missions

Ms. McDonald. I think certainly the differing missions and responsibilities of the agencies have an impact. I think that is without question. The agencies do have different missions. The National Park obviously is to protect the park and put its interests, as one would expect, foremost. While the South Florida Management District and the Corps have multi-purpose missions of not only supply water but also flood protection. So I think that definitely has a role, and impacts their inability or causes difficulty in reaching a consensus on how to resolve these issues.

Mr. Regula. I assume--well, let me not assume. Has there ever been a definitive program established as to where the water is going to go; how much is going to go to the environmental and the ecosystem and the park; and how much is going to go to replenish the aquifer? Has that decision been--

--
Mr. Rezendes. I believe that is part of the restudy.

Ms. McDonald. The restudy.

Mr. Regula. So the restudy----

Mr. Rezendes. Which will be completed in July.

conflict resolution

Mr. Regula. So the restudy theoretically will answer that. Is there any way--is there any conflict resolution board or is there some ``Supreme Court,`` if you will, that will adjudicate when there is differences of opinion?

Mr. Rezendes. Well, there is a task force, which brings together all the various key players.

Mr. Regula. Yes, but do they have the ability to say, ``okay, this is the way it is going to be?``

Mr. Rezendes. No, they do not.

Ms. McDonald. The Task Force facilitates conflicts.

Mr. Rezendes. They coordinate.

Mr. Janik. The two projects that we are talking about.

Mr. Regula. Do you think they need something like that to make this thing really work?

Mr. Rezendes. Yes, again, I am really sensitive. And I know Interior will make the point also is that we are not looking to provide the Federal Government dictator authority over that.

Mr. Regula. Oh, I understand.

Mr. Rezendes. But we are looking for a process. We want to

see the task force bring the participants together and say, hey, when we do reach a conflict, how are we going to reach closure?

Mr. Regula. There has to be----

Mr. Rezendes. And not wait until the actual issue is on the table and then just deal with it.

Mr. Regula. Well, it seems to me that if you are going to make these decisions on the way you are going to handle the water, and the pollution, and the rights of the Indian tribes, as well as agriculture, developers, you name it, there has to be some board of some type to resolve it and say this is the way it is going to be.

Mr. Rezendes. Especially with the number of participants and the number of different subobjectives that they all have in trying to maximize their own needs.

Ms. McDonald. And with the various groups and entities involved, there are going to be disputes. There are going to be conflicts----

Mr. Regula. Of course.

Ms. McDonald. That goes without saying. And what we are looking for is some way to be very proactive in resolving conflicts so that the project itself is not affected negatively.

Mr. Janik. And one of the things the comprehensive--the strategic plan will do is if you lay out what you want to accomplish and who should accomplish it, then you can look at what is coming up. And you may have agencies who need to be involved who do have conflicting missions and you can address that and be proactive rather than, as we have found in the two projects, waiting until disputes occur and then taking two, three, four years to take care of them.

Mr. Regula. So you get ahead of the curve instead of behind it.

Mr. Janik. Right. Exactly.

Mr. Regula. And it seemed to me that they have been flying a little bit blind here in the absence of an agreed upon strategic plan, is that a fair statement?

Mr. Rezendes. They do have a lot of plans and pieces in place.

Mr. Regula. Well, I understand.

Mr. Rezendes. It is not as comprehensive and as detailed or linked as we would like to see them.

c-111 project

Mr. Regula. You mentioned the project involving the housing, and then was there a second project you looked at?

Ms. McDonald. The second project is the C-111 project. And what we found in that case is that the Corps of Engineers, the Department of the Interior, and the South Florida Water Management District agreed to expedite the construction of a pump, called the 332D pump, which would help restore water conditions again to the Everglades National Park and eventually to the Florida Bay. The pump was constructed and that construction was completed in late 1997. However, the pump has not been operated because they cannot agree on the water level and canals associated with that project. In addition, lands that need to be

acquired have not yet been purchased, although we understand that progress is being made in that area, to allow that pump to operate.

Mr. Regula. It would seem to me that is getting the thing in reverse. You put the pump in at the end of the project, not at the beginning, once you have determined what you want the pump to do.

Ms. McDonald. Well, normally, what they try to do is have the land acquisition ongoing while the pump is being constructed so that when the construction is complete, you are ready to go.

Mr. Regula. Right.

Ms. McDonald. In this case, the land acquisition, particularly in the Everglades addition, has proved to be somewhat problematic because there are so many parcels of land, and there have been title problems. And so the park has had, in some cases, to come in and get condemnation and taking authority.

Mr. Rezendes. But I think your basic point is well taken. I mean, here we are building a pump to pump water into a canal. We should know what level we want that water at before we start that.

Mr. Regula. Well, it affects the agriculture, does it not?

Ms. McDonald. Yes.

Mr. Regula. You cannot grow plants with wet feet or dry.

Mr. Rezendes. Right.

Mr. Regula. And to strike a balance needs some substantial planning, I would think. And I assume the Miccosukee Tribe is affected because they have some of the land down there. I think we visited with them, and they had some real questions.

Ms. McDonald. They are concerned about this project as well.

Mr. Regula. Well, I have a lot more questions, but Mr. Cramer?

Mr. Cramer. Mr. Chairman, I will try to be focused with my questions, but I lack an overall understanding of this project. It is an enormous project. It is an extraordinary project. You are coming here saying that there is no strategic plan, and you are recommending that there be a strategic plan.

Ms. McDonald. Yes.

Mr. Cramer. And you are saying there needs to be a process for resolving conflict.

Mr. Rezendes. Right.

Mr. Cramer. How many Federal agencies are there involved in this project?

Mr. Rezendes. Five major Federal agencies--Department levels.

Mr. Cramer. And with what has gone on so far, there are issues that they are charged with responsibility for that they have not been able to necessarily settle with the State government agencies as well, is not that right?

Mr. Rezendes. Right.

Mr. Cramer. The Army Corps has an issue with the flow of water.

Mr. Rezendes. Right.

Mr. Cramer. And they have been working on that for a long time. So when you say there is no strategic plan, I want to make sure I understand it. Are you saying there is no plan?

Mr. Rezendes. Oh, no, they have lots of plans. I want to make very, very clear. They do have a lot of plans. They have a lot of documents and a lot of reports, and they are still working on more. But what we have not seen and what we are looking for is an overall strategic plan, that would identify specifically what has to be done when, by who, with what resources, what is the outcome once you spend that money, how much do you need each year, and what is the goals you expect every year when you spend that money.

Mr. Cramer. Right, and how many counties are involved in this in the State?

Ms. McDonald. Sixteen counties.

Mr. Rezendes. Sixteen.

Mr. Cramer. Sixteen counties. And then how many arms of State government are involved in this?

Mr. Rezendes. Several.

Ms. McDonald. There are seven State commissions and agencies involved. But what we are looking for is something that pulls together all of the plans and all of the strategies that the task force and the various agencies have developed and are developing to ensure that when this restoration effort is complete it is integrated and that it works as a whole and not in pieces.

Mr. Rezendes. I think the difficulty here is what you are pointing to. You have a lot of key players with different sources of funds, with different budget priorities. What we want to make sure is we know specifically what everybody is coming to the table to commit to and what time frame and what we expect that commitment to be.

Mr. Cramer. And the South Florida Task Force, is that a coordinating entity?

Mr. Rezendes. Correct.

Mr. Cramer. What are they charged with?

Mr. Rezendes. They coordinate the activities of various Federal, State, and local agencies involved in this.

Mr. Cramer. And what would be your solution for some sort of binding mechanism to resolve the disputes between all of those entities?

Mr. Rezendes. We really do not have a specific solution. It could be a number of things. But we do want them to talk about this ahead of time. It maybe mediation. It may be through conciliation. It may be they have discussions for a certain period of time and they cannot reach resolutions within a month, or two, or three months, that it would be elevated to another group. There are a wide variety of things. We do not want to dictate one or the other, especially since there needs to be a consensus process of the group involved.

Mr. Cramer. Yes, I guess part of my point in trying to get you to help me walk through this is to say that this project is extremely complicated and any issue of conflict resolution or an overall strategic plan is easy to talk about, but it will be very, very difficult to implement.

Mr. Rezendes. Absolutely. We agree with that.

Ms. McDonald. But we also believe because this restoration effort is so complex and so difficult, that there really does need to be something that guides everyone through this so that we can ensure that at the end of this we have succeeded.

Mr. Cramer. And it would seem to me with what I can absorb from this that the agencies that are involved are clearly attempting to be responsible and focused in their approach.

Mr. Rezendes. Absolutely. That is correct.

Ms. McDonald. There is no doubt about that.

Mr. Cramer. For the enormity and the uniqueness of the project itself.

Mr. Rezendes. No, you are right.

Ms. McDonald. Yes.

Mr. Rezendes. We agree. Right.

Mr. Cramer. Mr. Chairman, that is all I have.

Mr. Regula. Following up on Mr. Cramer's comments, will the strategic plan have as a component, a recommendation, on how to establish a conflict resolution agency, or overall board?

Mr. Rezendes. It could.

Ms. McDonald. It certainly could, particularly if the plan is developed along the Results Act's guidelines. Certainly, when they consider external factors that would affect the restoration effort, that might be an appropriate place to look at the conflict resolution, because certainly external factors, such as individuals or groups outside the task force and working group, might be those that they have to deal with in resolving conflicts.

money in fy 2000

Mr. Regula. Tough question. Do you think they will be ready to spend money wisely in Fiscal Year 2000 if we appropriate it?

Mr. Rezendes. Wisely is the really key word in that question.

Mr. Regula. Well, we want the people that we appropriate money to to spend it wisely.

Mr. Rezendes. They have a lot of projects going on. I think these agencies and each of them are committed to doing the best job that they can.

Mr. Regula. I do not question that.

Mr. Rezendes. What we do not know is whether each of those pieces, as sincere and dedicated as the agencies are in how they are doing their pieces, will fit together and whether when you put them together whether it will be the best thing for the Federal Government.

Mr. Regula. Well, that is what troubles me. You have a lot of agencies. You have a lot of projects, some of which have not been resolved, such as the acquisition versus the dike. And if you put money in, there is an inclination to spend it. Maybe we need to step back and take a breather to make sure that this strategic plan is developed, I assume there will be a comment period on that. There will be a lot of people who want to input after it is announced. Maybe that is the thing that needs to be done in the next several months.

Ms. McDonald. Interior is currently in the process of developing an integrated strategic plan. They are in the early phases now. However, their plan is not scheduled to be complete until at least 2001. And we are not certain at this point, based on our conversations, that it will include all the components that we have recommended in our report.

Mr. Regula. Well, then it would not appear that they are

quite ready to expend funds in the absence of this ``strategic plan'' that Interior is doing?

Ms. McDonald. The task force is doing this.

Mr. Regula. Yes.

Ms. McDonald. But for the entire restoration effort.

Mr. Regula. Oh, beyond just Interior's piece of it?

Ms. McDonald. Yes.

Mr. Rezendes. Yes.

Mr. Regula. Well, I know in our last appropriations bill, we requested them to submit a comprehensive acquisition plan by March 31, which identifies priority parcels and the rationales as to why these parcels are critical. But we do not have it yet. March 31 has passed. A letter in response to our inquiry says we will get the report to you as soon as possible. I do not know how long that may be.

It just concerns me to appropriate money in the absence of a comprehensive direction as to the goals and how they will be achieved.

Mr. Rezendes. We share the same concerns. I think the only thing on the other side is that on a project of this scope and this magnitude, with so many players and commitments from the State and local level, that any delay at our level could escalate this cost even more.

army corps restudy

Mr. Janik. I think a lot of people thought the restudy was going to be the comprehensive plan. But that restudy only addresses one of the three major goals of the restoration project.

Mr. Regula. You mean the one that will be due on July 1st?

Ms. McDonald. Yes.

Mr. Janik. Yes.

Ms. McDonald. And that is a huge part of the restoration effort, but it is not the complete restoration effort.

Mr. Regula. Well, you are saying even when we get the restudy, we won't have a complete plan.

Ms. McDonald. No, you will not have a complete plan.

Mr. Janik. Right.

Mr. Regula. Well, when do we get a complete plan?

Mr. Rezendes. Their estimate is----

Ms. McDonald. Two thousand and one. (2001)

Mr. Rezendes. Two thousand and one.

Mr. Regula. But do you not need to have a complete plan before you start? You cannot build the automobile just by having a design for the wheels.

Mr. Rezendes. We would like to see it in place, and you are preaching to the choir.

Mr. Regula. Okay. Mr. Skeen.

Mr. Skeen. I think we need a steering wheel, first. I had the opportunity to visit that area down there, and I want to say that it is a very complex issue. You can well imagine when you start putting one of these plans together, you have got as many entities involved with this thing. I want to tell you this, though, you got one of the best water engineering systems I have ever seen in the Lake Okeechobee, and that was done I think many years ago. And how many entities are you working

with. I am primarily interested in the agricultural--how close are you to having any remedy to offer these folks in the agricultural business, because I know that they are very upset with the----

Mr. Rezendes. I do not know. I think Interior could probably give you a better answer than we could. They will be testifying next.

Mr. Skeen. How many entities are you working with now?

Mr. Rezendes. Well, on the Federal level, we are dealing with five--

Mr. Rezendes. Five Department-level----

Mr. Skeen. I have been praying for rain.

Mr. Rezendes. Five Department-level agencies on the Federal level.

Mr. Skeen. You have got a lot of private land involved in this thing, agricultural production land?

Mr. Rezendes. Yes.

Ms. McDonald. A lot of agricultural land borders----

Mr. Skeen. Where is that?

Ms. McDonald. The Everglades National Park. And certainly, agriculture is involved throughout this.

Mr. Skeen. Now, you have got a lot of agriculture probably used to going on in that particular area--that water--that water system is a real monument to good engineering, but it may not be----

Ms. McDonald. It is successful.

Mr. Skeen. It has been so far. Other than that, I think that the--you have touched on what the problem is. If we do not--you are not sure this is a huge undertaking and not--and we do not have any precedent----

Mr. Rezendes. Absolutely.

Mr. Skeen. To work with.

Mr. Rezendes. You are absolutely correct.

Mr. Skeen. And now the last question is will it work when you put it together?

Mr. Rezendes. That I do not think anybody knows yet. I think they know how well the water will flow, but they are not sure whether, in fact, how the environmental aspect of that is going to work out.

Mr. Skeen. Well, thank you for your comments.

Mr. Rezendes. Thank you.

Mr. Skeen. So I could understand it. I am sitting here rooting for you on the sidelines, but I do not know how much help that is going to be. Thank you.

Mr. Regula. You point out a significant comment--thank you, Mr. Skeen. You are not sure how well the environmental aspects are going to work out.

Mr. Rezendes. That is right.

Mr. Regula. Which of course, is our committee's primary responsibility----

Mr. Rezendes. Right.

Mr. Regula. In this whole thing. And it seems to me that is one of the things that triggered this whole decision to go forward. Isn't that fundamental--you would have to know how this is going to end up as far as the Everglades National Park?

Mr. Rezendes. Well, what I meant by that is the project is so big, and there are so many uncertainties yet. Assuming that

we get the water right, there are still the other concerns about the various wildlife and plants that are there, not to mention the exotic plants have already taken over because we did not have the water right to begin with.

Mr. Regula. Well, don't you have a new dimension since the Lord put this together and that is that the water that does come in here, that you want to impound, may have pollutants because of agriculture activity----

Mr. Rezendes. Well, that is right.

Mr. Regula. Because of building construction.

Mr. Rezendes. Right.

Mr. Regula. That did not exist in the original.

Mr. Rezendes. A good amount of this water coming into there is going to be from urban run off.

Mr. Regula. So you have to figure out how to, in some way, purify that or filter it----

Mr. Rezendes. That is right.

Mr. Regula. Before you move it on into the Everglades, is that right?

Mr. Rezendes. That is right. Yes. And there are plans to do that.

Mr. Regula. That is a part of the overall objective?

Mr. Rezendes. Yes.

Mr. Regula. Mr. Kingston.

strategic plan

Mr. Kingston. Thank you, Mr. Chairman. Let me first ask--I was not quite sure how you answered the Chairman's questions in terms of having the strategic plan in place. Is it not in place now?

Mr. Rezendes. Correct, it is not in place now.

Mr. Kingston. Okay, is the GAO on record today saying that it should be in place before we allocate more money?

Mr. Rezendes. No, we are not saying that. We would like to see this being done as quickly as possible. We would like to see all the key elements that we have recommended. I do want to emphasize, as I mentioned earlier, they have a lot of strategies and a lot of plans already in place. However, none of the individual plans, alone or even taken collectively, include all the components that we would like to see addressed in the strategic plan, which are who is going to do what, when, what resources commitments are going to be made to these, what are the goals and objectives, how do you tie the expenditure in any given year to the annual outcome that should occur in that year as a result of those expenditures. That is what we would like to see.

Mr. Kingston. Okay, a billion has been spent?

Mr. Rezendes. Correct.

Mr. Kingston. And usually, any time you have, you know, a lot of agencies who are spending a billion dollars, there is waste, but I did not see any reports of waste in your study. It might be in there, and I only scanned it.

Mr. Rezendes. No, we did look at two projects, and we found delays in two specific projects that we looked at--that is all we looked at. We are not attesting that there is no waste. We have not--we really did not go out and do that.

Mr. Kingston. Should not that be included in the GAO study?

Mr. Rezendes. We had rather limited amount of time and objectives of what we were asked to do. We did not do a comprehensive review of how all the money was spent and what we get for all of that.

Mr. Kingston. Is there any oversight to see that waste is minimized?

Mr. Rezendes. Well, I think, you know----

Mr. Kingston. And I am not trying----

Mr. Rezendes. Sure, I understand.

Mr. Kingston. To spit in the punch bowl.

Mr. Rezendes. Right.

Mr. Kingston. But let us not kid ourselves. When the Federal Government gets involved in a project and a billion dollars is at stake, particularly one that is emotionally driven as much as it is in substance, there is going to waste. And it would have--you know, kind of bothers me that we are not saying, look, here is an area where some money is being wasted, some people are being enriched, and it should be better allocated to environmental protection.

Mr. Rezendes. It is still early on in the process. We are talking about only \$1.2 billion spent of the \$11 billion that will be probably spent over the next 20 years. The big part of this \$11 billion is the replumbing that is going to take place, and that is \$7.8 billion.

Mr. Kingston. Well, are you going to address the waste down the road?

Mr. Rezendes. We will respond--the Chairman has already indicated he expects us to have a presence there for quite some time.

Mr. Kingston. I would be real disappointed if you cannot find waste in that. [Laughter.]

And I just want you to know--I mean, you say--I mean, just to--not to pick on you, but you said only--and it is true the way you say it, and I know you did not mean it--that is why you have said only a billion has been spent of the \$11 billion--I am thinking you can do a heck of a lot of money with that--you know, but, you know, how the land is valued that you are buying out and so forth, and that act of it.

Mr. Rezendes. That is going to be a big area, one that we have not looked at very closely--the whole land acquisition. A major piece of this is the various parcels that they have to procure.

restoration definition

Mr. Kingston. The other thing is the definition of restored. Is that universally agreed upon? Is that water distribution? Is that acres reacquired? Is that water flow? Is that wildlife?

Mr. Rezendes. The restudy piece which is the \$7.8 billion is just the water flow. In addition to that, there still are other needs to be addressed--the water quality and the environment--the plants and the actual ecosystem itself there. That needs to be addressed separately.

Mr. Kingston. So, but we have a--do we have a clear assessment of what is being--what has been damaged?

Ms. McDonald. They are still conducting science studies to establish baselines of what they want to achieve----

Mr. Kingston. But do we have a clear assessment of what is being--what has been damaged?

Ms. McDonald. They are still conducting science studies to establish baselines of what they want to achieve. They have done quite a bit of work in that area, but they are still working on establishing baselines, what are quality standards, those sorts of things, and those are ongoing and will continue. One of the things that we would hope that the strategic plan would do would be to pool the science, which is a key integral part which the task force recognizes, together with the infrastructure that is being operated and being designed, so that it all works together to achieve the restoration.

Mr. Kingston. Because I would hope that if we are saying we need \$11 billion, then I would think we would have a clear picture as to where we are and where we need to be, and that goal should be universally known to all parties at the table, so that--hey, what if they only had to spend \$7 billion? And it would be nice to know that this is driven by that focus on what is restoration rather than the end of the flow of money.

Mr. Rezendes. We agree with that. We think that strategic planning would give you just that.

Mr. Kingston. Mr. Chairman, thank you.

Mr. Regula. Bottom line, at the end of the day, we want a good system for the money we are going to spend.

Mr. Rezendes. Absolutely.

Mr. Regula. And how to get from A to B is the challenge that this committee and others have, and that is why we are here today. Mr. Miller, our member emeritus. The colleagues from the minority side agreed to defer to you out of respect for your knowledge about this issue.

Mr. Miller. Thank you, and since I am no longer a member of this particular subcommittee, I switched offices, unfortunately, if am on this issue--and we did have the pleasure of visiting last January down there, Mr. Ring and Mr. Salt and others were very gracious to be able to show us around, and, hopefully, we can organize one and get as many members of the subcommittee down there, because you have to almost see it and feel it and smell it and do it all to really appreciate it, and you have to do it by air. It is such a massive undertaking.

Is there anything of this magnitude that has ever been attempted?

Mr. Rezendes. Not that we are aware of.

multiple appropriations subcommittees

Mr. Miller. There are so many different agencies, and I noticed just in Congress, I don't know if there is any way that--how many different appropriation bills are here? There are at least four. There are five appropriation bills--Interior, Agriculture----

Mr. Rezendes. Commerce, EPA.

Mr. Miller. I am on the Commerce. And VA-HUD.

Mr. Regula. The Indians are under the Interior Subcommittee. There's Energy & Water, the Corps of Engineers.

Mr. Miller. And the Corps of Engineers. So, there are five different appropriation subcommittees. From a congressional responsibility area, and I know there are authorizing committees that would have that responsibility, how is the appropriate way for us to make sure as we are spending billions of dollars that we have for the oversight--? I mean, you all can do that, but, as I say, we have five appropriations subcommittees. I have seen the book that they have put out in appropriations--the spreadsheets, and such--is there anything like this from a congressional oversight responsibility that you have seen how we should handle it?

Mr. Rezendes. We have not seen anything like that. We would like to see that. We have looked at the cross-cut budget and we have some problems with how it is put together. Getting back to--and I don't want to sound like Johnny One Note here with this plan--but I do think it would give you sort of what you are looking. The plan we recommended would lay out who is to do what, through which appropriation account, what you would expect as resource commitments to be on a yearly basis, and what the goals you would expect to achieve with that annual appropriation, and then I think you folks can make conscience decisions as to whether you have the money, whether you want to expedite, cut back or move any of these pieces around, but, first, you need the whole picture all together.

Mr. Miller. The Interior Department, do you oversee the total appropriation budget, the request? Who is coordinating the request of the appropriation subcommittees?

Mr. Rezendes. I believe the Department of Interior does that.

Mr. Miller. Is that right?

Mr. Rezendes. The Chair of the Task Force.

Mr. Miller. Okay. Well, we will get more clarification of that. And, so you don't know of any precedent as far as how do we provide the coordination? That is something that just bothers me a little bit.

Mr. Regula. You mean among the subcommittees?

Mr. Miller. Among the subcommittees.

Mr. Regula. Well, that is part of the problem and one of our concerns. The total is \$312 million this year; our piece is \$151 million. The Corps of Engineers, which would be Energy and Water, is \$128 million; the EPA, \$5 million; National Oceanic and Atmospheric Administration, \$17 million; Agriculture has \$9.7 million. At this juncture, there hasn't been coordination of this effort, and that is one of our concerns.

Mr. Miller. It is our problem as much as their problem with coordination.

Mr. Regula. Well, it is ours, but we have got to have a strategic plan to work with. It is hard for us to coordinate in the absence of a blueprint.

Mr. Miller. Right, that is a real concern. One of the questions I know you raised, Mr. Chairman, when we were on our trip is, is there enough science being put forward? And I see that we have spent over \$100 million on science already. Are you comfortable with the amount of science that we are investing in; that we are--comfortable that we are getting the information we want to properly design the strategic plan?

Mr. Rezendes. We didn't look at that specifically, although

one of the questions the chairman did ask is what other concerns are out there? And we did talk to a lot of the participants in the project, and one of the concerns they had was the science, the quantity and quality of the science.

Mr. Miller. By concern, did they have an answer? I mean, was there just--I am just asking the question.

Ms. McDonald. That is an area that we really haven't done a great deal of work in. It was simply a concern that when talking to individuals in south Florida, they raised. There is a lot of science ongoing, and the task force is committed to having a sound base of science, but it was a concern raised by some that we talked to in south Florida, and it is an issue that we highlighted in the report as something that we might want to do additional work in in the future.

Mr. Miller. Because I think we want to make sure the science is keeping up with it. And this is somewhat of an evolving plan; the plan has changed since we have been there--
--

Mr. Rezendes. Right.

Mr. Miller [continuing]. I mean, the eight and half square mile question I think is one of the ones where it was the best solution.

Now, you are saying the strategic plan is not there. The restudy is only refocusing on the goal of water, and it is not on the restoration, and you are saying--now, is there a plan coming up for the restoration also? Is that in the works?

Ms. McDonald. The task force is working an integrated strategic plan----

Mr. Miller. Okay.

Ms. McDonald [continuing]. That is scheduled for completion in 2001, but based on our conversations, we do not think it will include all of the components that we have recommended in our report.

land acquisition

Mr. Miller. On agriculture, are we reducing--we are doing a lot of land acquisition already, and I know we just bought the Talisman Tract and I know there is a lot of that--and a lot of it is individual little pieces of property. I think down in the southwest part of the Everglades where they have to rebuy whole subdivisions is what they are going through. It is an unbelievable undertaking. Who supervises land acquisitions, is that State or Federal?

Mr. Rezendes. It all depends on who is doing the acquisition. The State is doing some land acquisition, and some of it is being done on the Federal level.

Mr. Miller. How is that decided?

Mr. Rezendes. Which tracts?

Mr. Miller. Whether State or Federal? Well, let me get to an issue, because last year in the legislature there was some debate as to what the State legislature was going to do, and they wanted to have the ability to veto the individual sections on most and approve it, which could have really been a problem. Have you followed that issue of how the State--how we are working with the State? Is there any problems there? I want to make sure that is----

Ms. McDonald. Land acquisition is also one of the other areas that we did not do a lot of work in but that we highlighted as an area of potential concern that we may wish to do more work in in the future.

Mr. Miller. How about working with the State?

Ms. McDonald. The State is very involved, and we have talked to the South Florida Water Management District, who is a key player in the restoration effort. We have done some work with the State and will anticipate as our work continues that we will do more.

Mr. Rezendes. But there is some concern, and I want to address your question. We know there is a lot of land that needs to be bought, and most of it is some general areas, but the more specific that you get about the parcels, you drive up the price. You want to have some flexibility, including working with the State in terms of which pieces to buy and who is buying them. I think in some cases there is an issue as to whether the Federal Government could do this faster and cheaper through condemnation in the State. Some of those issues still are being worked on.

Mr. Miller. Thank you, Mr. Chairman.

Mr. Regula. Thank you. Mr. Moran.

Mr. Moran. Well, thank you, Mr. Chairman. I don't have a dog in this fight, a horse in this race, or whatever any of those phrases are.

Mr. Regula. You are a taxpayer.

Mr. Moran. Well, that is it, and it just strikes me that most of what I read of articles in the New York Times or the Post or once in a while you pick up something, and it seems to be a lot of money, but the disturbing part is that it doesn't really seem to be a whole lot of restoration. Cynics might suggest that what we are doing is guaranteeing water supply for the sugar growers, and the scientific community seems to be much less than enthusiastic about the whole process, and, of course, I am familiar with these consensus approaches. The only thing you can reach consensus on is not something you are particularly proud of in the final analysis. We took a consensus approach on the Woodrow Wilson Bridge, and-- [Laughter.]--and it hasn't been built, and I am not sure when it is ever going to be built.

To what extent are the sugar growers, the sugar industry contributing to this, and, in your judgment, do you think it is an adequate and an appropriate level of participation?

Mr. Rezendes. We didn't really look at that. That's really mostly because of the cost being split with the State. The State is the one that will collect from the sugar growers on. I think they have a couple of ways of doing that. We do not know right now how much is coming from the sugar growers or how much the State is going to tax them on this yet, but that will be the State's issue.

Mr. Moran. So, it is entirely up to the State. We put up the Federal money, but whether or not there is any compensation is up to the States.

Mr. Rezendes. Well, most of the cost of the restoration will be done 50/50 with the State.

Mr. Moran. Same ratio as Medicaid. We put up the Medicaid funding, and then when the States get some reimbursement from

the tobacco companies, it is up to them whether they use any of it for Federal priorities or not.

increased water flows

Now, again, another layman's question--obviously, these are off the cuff; I don't have a fraction of the knowledge that Dan has, and so I am sure these must seem like awfully naive questions--but, unless you can find or create new water, how does a restoration project succeed at increasing the water flows to the Everglades while at the same time accommodating all the future demands created by increased population which is burgeoning and guaranteeing adequate water supplies to agriculture, which is going to stay at least at the level that it is now but probably would like to grow as well. Where does the water come from?

Mr. Rezendes. Actually, two sources. Some of it is coming from urban runoff, which is sort of a new source, and some of it actually comes----

Mr. Moran. From urban runoff.

Mr. Rezendes. Right. Some of it actually is already going directly into the ocean, and that would be diverted back into these other purposes.

Ms. McDonald. Increasing the water supply is really what the restudy will do. It will redo the plumbing; it will create additional reservoirs to store water that is now currently going out to sea and is being wasted. So, the whole purpose of the restudy is to enlarge the water supply so that there is more water available for the urban and agricultural communities as well as the natural environment.

Mr. Moran. So, you are retaining water that is now coming from----

Ms. McDonald. They are creating huge storage areas as part of the restudy that will enlarge the water supply in the future.

Mr. Moran. And that is for the benefit of the agriculture?

Mr. Rezendes. Urban areas as well as----

Mr. Moran. For the urban areas.

Mr. Rezendes. Right.

Ms. McDonald. Agricultural and----

Mr. Moran. So, six million new homes----

Ms. McDonald. It has really three purposes: it will maintain the flood control that is currently provided in South Florida; it will increase the water supply available for urban and agricultural areas, and it will provide water for the natural environment. That is what the restudy is intended to do, all three.

Mr. Moran. Well, I am sure it is a laudable goal. I see some parallel--I was just looking at a study that showed that we have reduced the amount of land in this area that used to have trees, from about 50 percent to about 17 percent, and in the process we spent \$28 billion, through dams and canals and other canals, trying to get back the water that can't be absorbed, because we don't have the tree base, so it all runs off. We don't have porous surfaces, they are concrete, and so they flow right into the water, and so we have got to figure out infrastructure in order to get the water back in an

unnatural manner. And this seems to be a little bit like that. It is the 750,000 acres of sugar cane that is between Lake Okeechobee and the ocean, I guess, that basically is the problem, and so now--the Federal Government is going to spend this money to create a manmade process to get the water back that the growing has interfered with--or has blocked from getting into the Everglades. Is that--that is wrong, I guess.

historical perspective

Ms. McDonald. The central and Southern Florida Project, which was approved back in 1948, built a series of levees, canals, and water control structures that did divert water from the Everglades, and part of what the reason---

Mr. Moran. This is water that was in Lake Okeechobee, and this was naturally flooding the Everglades.

Ms. McDonald. Flowing down.

Mr. Moran. And so then we grew--Florida wanted to build. They wanted agriculture, and they wanted homes.

Ms. McDonald. So, the area was drained, and what the restudy is doing is removing canals, removing levees to restore a more natural water flow and create areas to store the water in order to enlarge the water supply for all three in south Florida.

Mr. Moran. Okay, so you are going to undo what was done back right after World War II.

Ms. McDonald. Undo a portion of what has been done; not totally, but we are going to undo some of it.

Mr. Rezendes. Not totally, but a smaller version of what it was.

Ms. McDonald. I think about 500 miles of canals and levees will be removed as part of the restudy.

Mr. Moran. Okay. Well, I know there are a whole lot of questions to ask about the actual use of the Federal money and whether it is being used effectively, but then there seem to some questions about the whole purpose of the project, itself. I am glad that the chairman has held this hearing. Those of us who know very little about it are going to understand a little more about it. So, thank you, Mr. Chairman.

Mr. Regula. Thank you. Mr. Hinchey.

Mr. Hinchey. Thank you, Mr. Chairman. Thank you very much. Along with my friend, Mr. Moran, I am trying to understand the situation better too. I think it is fair to say that most of the ecological engineering that has gone on in Florida has been from the point of view of draining the swamps and creating more land for agriculture and urban development and things of that nature, and as I listen to you I get the sense that you are trying to put a different flavor on this. The project is called the South Florida Ecosystem Restoration Project, and I am wondering to what extent that title is accurate?

Mr. Rezendes. It will be in the long run. In the short run, right now, the objective is--with the Restudy is mostly to get the water right which is get it flowing back into the Everglades, but, eventually, it is restore the South Florida ecosystem.

Ms. McDonald. The restoration initiative has three major goals: one is to get the water right, the second is to restore

the natural habitat, and the third is to transform the built environment. The ecosystem is considered not to be just the natural environment but also to be the people in the communities that are in south Florida. So, it is not just an environmental restoration.

environmental restoration

Mr. Hinchey. Well, environmental restoration has to be central to it, and the critics, of course, are saying that that is at the bottom of the list, in effect. They are saying that you are not going to see any real, essential environmental restoration for another quarter of a century. Are they right in saying that?

Mr. Rezendes. I don't know if we have an answer to that. We know that it is going to take a while to get the water flowing back in, and I am not sure that everybody knows--Interior may have a better answer to this on how long it will take that water flowing back into that Everglades before it starts to restore the environment.

Mr. Hinchey. What used to happen, from what we have been reading on this, is the Everglades constituted a vast sheet of water that flowed freely from Lake Okeechobee south to the Florida Bay at one point.

Ms. McDonald. That is correct.

Mr. Hinchey. That was all changed beginning back in the 1920's, and that no longer happens. Does the Ecosystem Restoration Project envision the actual restoration of that free flow of water from Lake Okeechobee south to the Florida Bay?

Mr. Rezendes. The free flow of water will be flowing into the Everglades. I am not sure how much of it will be free flowing----

controlling water flow

Mr. Hinchey. From where?

Mr. Rezendes [continuing]. Or how much will be manmade and controlling of spigots into it, but there will be much more water flowing into there.

Mr. Janik. I think they want to get it back to about 90 percent of what it was.

Mr. Hinchey. Ninety percent.

Mr. Janik. Of the water flow.

Mr. Hinchey. But that will flow in, what, a channelized way rather than a free flowing way?

Ms. McDonald. It will be managed by man; it will not be as it was before man became involved. What they are hoping to do is replicate or restore more natural hydrological functions to the area.

Mr. Hinchey. Well, how do you--I mean, what you just said in one or two sentences seemed to contradict itself. How can you have a natural free flowing system and in the same breath say that it is a managed system?

Ms. McDonald. They will use manmade structures--canals, levees, pumps--to assist in putting the water where it needs to be.

Mr. Hinchey. And who makes that judgment as to where it needs to be?

Ms. McDonald. That is what the restudy is designed to do, and that is what we are hoping the strategic plan will do, is to pull everything together so that the restoration works.

Mr. Rezendes. The restudy is expected to be done in July.

Mr. Hinchey. I think there is a legitimate concern that the decisions will be made from the point of view of water needs for urban needs and agricultural needs.

Mr. Rezendes. That is a concern.

Mr. Hinchey. And if you have growing water needs in urban communities and you have growing water needs for agriculture, then we know where the politics of this will be. The politics will be to provide the water for the urban and the agricultural needs, and the natural ecosystem will get short shrift. That is what will happen unless you have a plan that requires, absolutely requires, a program that is going to bring about as much of a natural flow as possible so that when decisions are made they are made with some equity from the point of view of the resource, because you are on a trail, once you start. We started down this trail in the 1920's, and I don't think that what we have heard today is in any way a departure from that, and if we continue on that trail, ultimately and inevitably, the resource will be completely degraded and the quality of the environment there will be reduced to a situation where, perhaps, there will be no longer a desire for the people in the urban areas to be there anymore. Everybody seems to be shaking their head, yes.

Mr. Rezendes. Well, we think that is a concern. I don't have an answer for you other than holding the various Federal agencies involved to make sure that this happens, I can't give you the assurance that they are going to do that.

Mr. Hinchey. No, I don't suppose you can nor can any of us.

Mr. Rezendes. Right.

Mr. Hinchey. And the only way that we can try to provide some kind of positive answer in that regard for future generations is to adequately address the problem of restoration, because what we are doing now is mislabeled; it is not restoration. What we are doing now is a continuation of the artificial manipulation of the resource in ways that are designed to benefit specific constituencies at the expense of the broader resource itself. That is my conclusion.

Mr. Regula. It really boils down to who controls the spigots.

Mr. Rezendes. Absolutely.

Mr. Hinchey. Yes, that is right, Mr. Chairman, but the threshold question before that is how many spigots are there going to be and should we have a lot of them or should we rely more on natural flow than on people turning spigots on?

Mr. Regula. What you are saying, you want to be sure there are spigots there for the restoration as well as for the urban development, and then, secondly, that there is an equality in terms of people who control the spigots.

Mr. Hinchey. That is right, and, before that, I would like to have as few spigots as possible. [Laughter.]

Mr. Regula. It is an interesting plumbing problem we are dealing with here. [Laughter.]

We have Patty Beneke from the Department of Interior and accompanied by William Leary. I think what we will do--no, we want you to stay at the table--I think what we will do is suspend the subcommittee and vote. Then we will hear from the Department of Interior. However, Mr. Dicks, you might have a question or two before we have to go over and vote.

scientific input

Mr. Dicks. Just a quick one, Mr. Chairman. Let me ask you about the scientists that have made these criticisms. Apparently, there was a scientific panel that looked at this and said that they had some doubts about whether the plan would work as advertised. What do you think of that? Is there enough scientific input into this project?

Mr. Rezendes. We didn't look at that directly; it wasn't one of our objectives. We did ask a lot of folks down there what their comfort level was with that, and I think there was a consensus. There were concerns about the science, but we don't have anything specific on it.

Ms. McDonald. I believe what the scientists were particularly pointing to was the restudy and the fact that it had not yet been peer-reviewed. I understand that Secretary Babbitt has plans to have an independent peer review set up to review the restudy. As Mr. Rezendes says, science is an issue that we have identified as an area of concern that we have not really done very much work in but that we would anticipate doing more work in the future to determine how the science is really being integrated, not only into the restudy but into the entire restoration effort.

Mr. Dicks. Well, I would assume that if we did what the scientists wanted, the project would then be more expensive? But, of course, you want it to work. I mean, at some point, this is obviously a trade-off.

Ms. McDonald. It would be difficult to say at this point what impact the science would be. I can say that as science has progressed, if the science is not integrated as the projects are being designed it could cost more when the science is there, because you would have to go back and redesign the projects to provide the benefits that you want. So, science is very key and very integral to this whole effort.

endangered species

Mr. Dicks. Are there endangered species involved?

Ms. McDonald. Absolutely, about 68 endangered and threatened species, I believe, in south Florida.

Mr. Dicks. So, in essence, the project has to be scientifically credible or it would fail the ESA test.

Ms. McDonald. Science is essential.

Mr. Rezendes. Right, absolutely.

Mr. Dicks. Thank you.

Mr. Regula. We are going to suspend the hearing, and then as soon as we come back, we will hear from the Department of Interior. It would be my intent to go straight through and hope we can finish in good time, between 12:00 and 1:00 o'clock. If you will stay at the table, we will very much appreciate it.

So, we are suspended for the moment.

Thursday, April 22, 1999.

DEPARTMENT OF THE INTERIOR

WITNESSES

PATRICIA BENEKE, ASSISTANT SECRETARY FOR WATER AND SCIENCE, DEPARTMENT
OF THE INTERIOR

WILLIAM LEARY, SENIOR COUNSELOR TO THE ASSISTANT SECRETARY FOR FISH AND
WILDLIFE AND PARKS, DEPARTMENT OF THE INTERIOR

Opening Remarks

Mr. Regula [presiding]. Ms. Beneke, and Mr. Leary. Okay, we will reconvene the meeting, and we look forward to hearing from you. Ms. Beneke?

Ms. Beneke. Mr. Chairman, my name is Patty Beneke, and I am the Assistant Secretary for Water and Science at the Department of the Interior. I also have the privilege of serving as the Chair of the South Florida Ecosystem Restoration Task Force, which you have heard about already this morning.

establishment of task force

Mr. Chairman, when we started on this effort back in 1992 and 1993, many Federal agencies were already doing work in the Florida Everglades, and we decided that----

Mr. Regula. Is that coordinated work?

Ms. Beneke. We decided that we needed to do some coordination. And for that reason, the administration formed the Task Force. Over the period of the next few years, the membership was expanded and is part of the Vice President's Ecosystem Restoration Plan. He recommended that the Task Force be made statutory. In 1996, the Task Force was made statutory by the Congress as part of the Water Resources Development Act and the membership was expanded. It is the mission of the Task Force to guide the restoration of the Everglades and the sustainability of the south Florida ecosystem. We think the Task Force has been an extremely effective mechanism, and I would be happy to elaborate on that further.

overview and accomplishments

This effort has been one of the administration's highest environmental priorities, as evidenced by the leadership of both the President and the Vice President. And I am pleased to be here today to testify on behalf of the administration and also to provide comments on the GAO report.

But, first of all, I would like to thank you, Mr. Chairman, for your leadership and your support. This subcommittee has appropriated some \$494.6 million to Interior agencies for Federal and State land acquisitions, for very important science that is key to our efforts, for construction of the Modified Water Deliveries Project, and for park and refuge operations in Florida. And you have done this at a time when fiscal resources were very limited and demands upon your subcommittee were

great.

We sincerely appreciate your support. This has been a remarkable bipartisan partnership, a true partnership among the Congress, the administration, and the State of Florida, and many other interested parties.

Let me also just briefly underscore this morning that in a very short time, we have accomplished much by way of success in south Florida. Highlights include:

Establishing the unprecedented partnership among the 14 Federal bureaus and agencies involved, two sovereign tribal governments, seven State of Florida agencies, many cities, counties, regional governments, to guide our collective efforts. And, again, being guided through the auspices of the Task Force.

We are moving forward with very significant land acquisitions, crucial to the restoration effort. We have coordinated closely with the Army Corps of Engineers and the South Florida Water Management District.

Mr. Regula. Is this land acquisition by the State or by the Federal Government?

Ms. Beneke. This is both, and, of course, the Federal Government is doing direct land acquisition in the east Everglades addition and also in other units of the park and refuge system in Florida that is very important to these efforts. And, in addition, we are providing important grant money to the State of Florida, the South Florida Water Management District through appropriations provided by this subcommittee. Also, we have been acquiring land with the \$200 million provided by the farm bill. And, indeed, we were very pleased that just last month, the Talisman acquisition was completed. In itself, I think a very remarkable achievement. It was an acquisition and land trade agreement.

strategic planning

Mr. Regula. Well, let me ask you, how do you know what land to acquire in the absence of a strategic plan?

Ms. Beneke. Well, Mr. Chairman, I would like to turn to the issue of strategic planning---

Mr. Regula. Okay.

Ms. Beneke [continuing]. Because that has been raised by GAO. First of all, we have done an enormous amount of planning in south Florida. If I could refer you to documents that we provided to the subcommittee, we have a document entitled ``An Integrated Plan for South Florida Ecosystem Restoration and Sustainability: Success in the Making.'' This plan enumerates specific goals for the restoration effort. These goals were developed in close consultation with our partners in Florida. There was extensive outreach undertaken in the formulation of the goals. They are agreed upon goals for the ecosystem restoration effort. The plan also sets forth the many component parts for ecosystem restoration. It enumerates strategies.

Mr. Regula. Well, that only deals with the ecosystem, not with the other element of supplying water?

Ms. Beneke. No, this is the over-arching plan.

Mr. Regula. On the ecosystem?

Ms. Beneke. Water is integral to the ecosystem.

Mr. Regula. I understand that.

Ms. Beneke. So it does include getting the water right as well. It enumerates many, many of the very many moving parts and components to this effort.

In addition, we prepare, the Task Force has prepared a biennial report, as required by the Congress. And, again, it sets forth goals. It sets forth strategies. It sets forth and highlights accomplishments in many areas.

restudy

Mr. Regula. Now will the strategic plan that is due on July 1 include the components of those plans?

Ms. Beneke. Now the plan that is due July 1st to the Congress is the Restudy. And that is the plan that by statute the Secretary of the Army is to provide to the Congress. The Restudy is basically the blueprint for the restoration effort. It is a centerpiece. It provides the plan for re-plumbing south Florida.

Mr. Regula. Those are broad goals, but they don't get into the specifics of the plumbing system?

Ms. Beneke. I have with me today a draft of the Restudy plan.

Mr. Regula. Okay.

Ms. Beneke. And it is back here and it shows you the kind of detail and kind of specifics that we get into when it comes to planning how you are going to re-plumb the south Florida ecosystem.

The Task Force is working on a plan which will be completed in 2001. It will provide more detail, but it will continue to be an over-arching strategic plan.

integrated strategic plan

Mr. Regula. This concerns me, and I am glad you mentioned this plan that is due in 2001. If we are going to have the plan out here, why are we making decisions at this point? How do we know they are going to fit the 2001 final plan?

Ms. Beneke. Let me, if I can, try to characterize the strategic plan that is being worked on for 2001. It will be a refinement of the items in these documents. And it will continue to be an over-arching plan, Mr. Chairman. There are so many parts to this and this is such an enormous and complex undertaking that many specific agencies are working on their own specific plans that will contain milestones and goals and ways of measuring success.

restudy

If I could turn back to the Restudy for just a minute and give you a little bit better description of what will be contained in it. It will serve as a centerpiece planning document for this entire restoration effort. It has as part of it literally hundreds of specific targets, hundreds of performance measures, things like the population density of alligators in a certain location in the ecosystem. Or specific water depths in specific places in the ecosystem. And we will

go out, the Army Corps of Engineers working with others, and measure progress towards meeting those very specific goals on an annual basis.

Mr. Regula. Don't you need the goals before you start doing the work? Yes, but that is 2001.

Ms. Beneke. No, this is the Restudy.

Mr. Regula. Oh, this is the Restudy.

Ms. Beneke. And this will be July 1st of this year. And there has been an enormous amount of work that has gone into creating this plan. It has been an unprecedented effort in terms of the Corps working with multiple agencies, including the resource agencies, to craft this plan. The National Park Service and the U.S. Fish and Wildlife Service have been heavily involved. The Army Corps of Engineers has relied on science generated by the U.S. Geological Survey and many other agencies in crafting this plan.

integrated strategic plan

Again, it will be a centerpiece. But if I could paint a picture for you of this 2001 plan, it will be over-arching. It will incorporate the specifics of the restudy in it. It will incorporate the specifics of a Multi-Species Recovery Plan that is being put in place by the Fish and Wildlife Service and soon to be complete in the next month or two. It will incorporate the specifics of an Exotic Species Control Plan that is being worked on by an interagency group. So we have plans. We have a cross-cut budget. I will tell you I have the privilege of getting to work on several ecosystem restoration efforts across this country, and I don't know of any other effort that produces a document comparable to this. It is a document where all the Federal agencies involved use it. We coordinate our requests. We make sure that the dollars we are asking for---

Mr. Regula. Well, that tells the dollars, but does that tell us that those dollars are begetting success?

restudy

Ms. Beneke. Well, again, we have plans that are very close to completion that provide for measuring success. And the best example that I have for you is the restudy. I don't know what more one would want by way of performance measures. I have a list here in this notebook of 200 or 300 specific performance measures, density of wading bird rookeries at a particular location in the ecosystem. And that is going to be measured and success is going to be measured and progress reported on an annual basis.

Again, part of the restudy contemplates an adaptive assessment process. It is a key component, key element of our efforts in south Florida. We have plans. We start to implement. We monitor the response of the natural system, and we make modifications and adjustments accordingly. It is an adaptive process that evolves over time.

government performance and results act

One other aspect of planning, if I could, Mr. Chairman, my

sense is from reading the draft GAO report that what they were looking for was some sort of plan akin to what is required under the Government Performance and Results Act (GPRA).

Mr. Regula. True. We are supposed to comply with that.

Ms. Beneke. Indeed, and I just do want to assure you, Mr. Chairman, that we have complied with it. The Department of the Interior has produced a GPRA plan, which includes south Florida ecosystem restoration as part of it. The components of that that were included in our plan were actually developed by this interagency working group and task force in south Florida. So we had input from all of the agencies, but we did produce both the longer term GPRA plan and also an annual GPRA plan that has specific annual goals and measures of success.

So I really would hate for the subcommittee to leave here today thinking that there has not been planning done on this effort because from where I sit there has been more planning done on this ecosystem effort than--well, at least as much as anywhere else in the entire Nation; and I think we are doing very well on planning. I think we deserve good marks for the efforts that have been undertaken. So I must say I have been concerned with the discourse this morning.

restudy

Mr. Regula. Well, of course, here is an article that appeared in The New York Times, February 22nd, and it says that this study is under fire and we now can see that the proposal will actually do little in the way of restoration. The critics say that the Federal/State plan does not go far enough in re-establishing the natural flow of shallow water. There is very little restoration and most of it doesn't come for the next 25 years. Now I am sure you have seen that article.

Ms. Beneke. I see all the articles about south Florida, Mr. Chairman. If I could take a moment to respond to that, I would like very much to have that opportunity. The Army Corps of Engineers put out a draft restudy last October.

Mr. Regula. On their own?

Ms. Beneke. No, everybody worked very closely with them. There was a huge, tremendous interagency effort. They put out a draft and that draft was subject to some criticism. Comments were provided by the Fish and Wildlife Service. Comments were provided by the Park Service that were critical of aspects of the plan. Since that time, we at Interior and the resource agencies have worked closely with the Army Corps of Engineers to make recommendations for improvements to the plan. And we are very pleased that the Corps has agreed to make significant improvements based on our comments and based on comments of many members of the public. For example, they have agreed to recapture additional water, 245,000 acre feet.

Mr. Regula. You are implying that the Corps is the lead agency?

Ms. Beneke. With respect to the restudy by statute, Mr. Chairman, the Corps is the lead agency under the Water Resources Development Act (WRDA). But what is important here is the Corps has worked closely with us and they have made many substantial modifications to the draft. The final plan is undergoing interagency review right now and is on schedule to

be submitted to the Congress July 1st. But we are fundamentally very pleased with the final plan and think that it is going to provide significant benefits to the natural system. It sets up the opportunity to provide 90 percent of the flows, of the original flows, back through the Everglades. That is an extremely important accomplishment.

Mr. Regula. Well, I would ask you to comment on this statement in the New York Times, from April 16 of this year. It says: ``Indeed, the sugar companies not only survived the just concluded battle over the Everglades restoration plan, but guaranteed their future water supplies.'' Is that a fair statement?

Ms. Beneke. I think that what that is referring to is the notion of providing assurances, whether or not the plan will be able to provide assurances to both the natural system and to water users. And it's certainly our goal as part of this effort that there will be assurances provided, not only for current users but also for the natural system. A fundamental aspect of this plan is that we are going to be able to enlarge the water pie. For me, it is a pleasure to get to work in a system like that because I spend a lot of my time out West where it is not really possible. But here we are going to take some two million acre feet of water that is currently shot out to tide, and we are going to recapture it, and we are going to store it, and we are going to use it for timing flows and restoring hydroperiod.

Mr. Regula. Do you see as your primary mission the restoration of Everglades National Park or do you see as your primary mission restoration of the total package, which would be water for the East Coast, agriculture and restoration? And if your primary mission is restoration, are you satisfied that that is on track?

Ms. Beneke. I will try to take those one at a time. And I may distinguish between the hats that I am wearing. As someone from the Department of the Interior, certainly we are vitally interested in ecosystem restoration. And I think that we feel quite confident that the track that we are on is going to yield very positive results for the ecosystem in south Florida.

With respect to the restudy plan itself, Congress directed the Corps of Engineers to devise a plan that would not only yield ecosystem restoration, but would also provide flood protection and water supply benefits to south Florida. They are under a statutory mandate to do that. But we think that that is very consistent, providing water supply benefits and flood control is very consistent with ecosystem restoration. We think that the plan that they have crafted can accomplish all three.

Allocation of water

Mr. Regula. Do you think the conceptual plan, which is what you are operating under now, will guarantee water allocations to ensure that the project achieves its environmental objectives because you have a lot of conflicting interests there and the pressure from development and from agriculture will be great?

Ms. Beneke. Well, you are asking a very important question.

Mr. Regula. Well, that is what it is all about.

Ms. Beneke. Absolutely.

Mr. Regula. That is why our committee is involved.

Ms. Beneke. And it is an issue that we at Interior are looking at very hard. It is something we are going to be wanting to coordinate closely with our partners in the State of Florida. And certainly something that between now and the authorization of the restudy, we are going to want to look at very carefully and work with you on. We think that it is important that current water users not have their supply threatened, but by the same token, of course it is important that the natural system achieve benefits and have some assurances in terms of deliveries in the future because that is what this Federal investment is all about.

Mr. Regula. Mr. Hinchey had essentially asked the same question. I wonder if you would give him the assurance that he was seeking since he missed your response?

Ms. Beneke. Mr. Hinchey, one of the issues that we were talking about was one of the real benefits of the restudy plan for re-plumbing south Florida, the plan that is going to be submitted by the Corps of Engineers in July of this year to the Congress is that it provides for us to enlarge the water pie. We have the happy prospect in south Florida of being able to do that because something like two million acre feet of water is being lost to tide through this very efficient system that the Army Corps of Engineers built back in the 1940's and 1950's. We are able in this plan to recapture that water, to store that water, and to use that water for environmental benefits, to use that water for urban water supply, now and in the future, and also for other water uses such as agriculture.

The question the chairman was asking me was a very important one and that is what kind of assurances are we going to have so that the natural system will receive the benefits that it needs to have and can we be assured we are getting a return on this very large investment of Federal dollars? And I guess my response to that was it is a very important issue. It is an issue that we are working on actively at the Department. We are going to want to work closely with our partners in the State of Florida. We intend that the resource agencies will continue to have a strong voice in this effort, as the restudy plan moves forward. And it is something I think we need to look hard at between now and when the restudy is actually authorized by the Congress, hopefully in 2000.

Mr. Hinchey. The answer is there is no guarantee?

Ms. Beneke. The answer is we are very mindful of the issue, and we think that there are certainly are going to be guarantees.

Mr. Hinchey. But in spite of the fact that you are mindful of it, there are no guarantees?

Ms. Beneke. We think that there will be guarantees, sir.

Mr. Hinchey. When will those guarantees come about and how will that happen?

Ms. Beneke. Well, water allocation is a function partially of State law and we are going to be working with our State partners.

Mr. Hinchey. Yes, I understand that, but from our point of view?

Ms. Beneke. I guess I am not entirely sure how I can further respond to that question.

Mr. Hinchey. Well, you can respond to it directly and

straightforwardly.

Ms. Beneke. Well, what I am saying is we have every anticipation that there will be assurances for the natural system by the time this plan is authorized by the Congress.

Mr. Hinchey. And on what do you base that belief?

Ms. Beneke. I think that we are going to be working on this--it is a complicated issue. We are going to be working with our partners in the State.

Mr. Hinchey. Do you have any basis to believe that?

Ms. Beneke. Yes, I think----

Mr. Hinchey. And what is it precisely?

Ms. Beneke. What is the basis precisely? The basis precisely is that I think there is a recognition that if the natural system doesn't have assurances, this process will not move forward.

Mr. Hinchey. Well, no, that is not clear. The process will move forward. That is the problem. If there are no assurances, the process will move forward because the process will have its own inertia that will carry it forward, and it will do it whether or not there are guarantees. And if there are guarantees, then, of course, that will create a much better project. But we have no guarantees and the process is moving forward in any case.

Water Loss and Restoration Goals

Now you stipulated a moment ago that a certain amount of water is being lost. I am not sure that that is accurate. Water is being flushed in and out, but you can't say that water is being lost?

Ms. Beneke. It is being flushed out to tide through canals, a very intricate canal and levee system, so that it cannot be used for urban water supply or for the Everglades ecosystem or for irrigation. So it is being flushed out to tide and lost during the wet season.

Mr. Hinchey. Well it is flushed out to tide and that is a natural flushing that has existed there for God knows how long.

Ms. Beneke. It is not natural.

Mr. Hinchey. No, no. I know that the part that you are talking about, the canal system, is not natural. But to the extent that you continue to impede the natural flow, that exacerbates the essential problem. And I am not so sure that what you are doing is going to really address that. The basic problem is salvaging the ecosystem, restoring the ecosystem. And the point that I tried to make earlier, although we are using the word ``restoration,'' that really isn't what we are doing. There is no restoration involved here. It is additional channelization. It is additional control. It is additional manipulation.

Ms. Beneke. I am probably not the best person to address this. We have several engineers in the room, and I would be glad if the chairman would permit it, to ask them to describe this in more detail or we would be happy to come up and give you a briefing or to submit material for the record. What we are doing is--the plan presently contemplates removing 240 miles of canals and levies, features that impede the sheet flow of water through the system.

Mr. Hinchey. To remove those?

Ms. Beneke. To remove them entirely. We have literally an army of engineers and scientists working on this plan in Florida, and it is their belief that this is going to do much to restore the sheet flow of water. When you talk about restoration, 50 percent of the spatial extent of the Everglades has already been lost. And to restore all of that would mean wiping out the urban population areas in southeast Florida and obviously nobody is doing that. But with respect to the remaining 50 percent, we are going to work to get as close to a naturally functioning system as it was before as we possibly can. We think this Restudy plan gets us well along that way.

Mr. Hinchey. Well, that is good if it does. I am skeptical, but if it does, that, of course, is fine. And no one expects that you are going to wipe out any of the urban population that is there.

Ms. Beneke. No.

Mr. Hinchey. But what I think we ought to be concerned about is that what you may be doing is going to exacerbate the problem and will increase the growth of urban populations and therefore increase the water demand that those populations require and also at the same time increase the demands that agriculture may need. That, of course, would not be good for the ecosystem, it would be injurious to it.

Ms. Beneke. Sure.

Restudy Authorization Process

Mr. Hinchey. But let me read a question to you which goes to what I was trying to get at before. What specific action can the administration and the Congress take to ensure that the goal will be met? For instance, would the administration support Congress' including language in the restudy authorization to formally include the Secretary of the Interior, along with the Army Corps of Engineers (ACOE) and the South Florida Water Management District in the decision-making process. Should we have the Secretary of the Interior intimately involved in every aspect of the decision-making process?

Ms. Beneke. Well, sir, I think that that is an issue that we need to look very carefully at. I can't give you an answer today as to exactly what formulation we would support, but certainly there needs to be an ongoing role for the Interior Department resource agencies and other resource agencies in the implementation of this restudy. And I think everybody who has been involved with that contemplates it. Exactly what form that takes, I don't think we have devised yet, but we would certainly welcome your thoughts and input on it. I think it is a very important issue, and we are going to be working on it.

Mr. Hinchey. I would be happy to state my thought on it right now.

Ms. Beneke. Okay.

Mr. Hinchey. My thought is that the Department of the Interior should be intimately involved and that no decision should be made absent a contribution from the Secretary of the Interior and that the Secretary of the Interior should be an equal party in the decision-making process.

Mr. Regula. Would you yield?

Mr. Hinchey. Yes, sir.

Mr. Regula. As a follow-up to that, what if we were to condition any funding that we make on the Secretary of Interior being made part of this?

Ms. Beneke. Well, we would want to work closely with you on exactly how that was formulated.

Mr. Regula. Well, you give some thought to it because we do not have the bill ready yet. [Laughter.]

Ms. Beneke. Like so many other issues, the devil is in the detail on a lot of this. But certainly the concept is something that we at Interior have been talking about, and we are going to be working very actively on that issue.

Mr. Regula. Well, this is the Interior subcommittee.

Ms. Beneke. Right.

Mr. Regula. And we have a very substantial interest that any funding we do is directed toward the goal of restoration. It would seem to me that instead of bipartite, it should be a tripartite overseeing body here if restoration is one of the three goals; agriculture, urban development, and restoration. And, therefore, the Secretary of the Interior should have a place at the table. This is what Mr. Hinchey is suggesting.

Mr. Hinchey. Yes, Mr. Chairman.

Mr. Regula. And I certainly concur with that objective.

Well, Mr. Miller, we have to give you another shot at things here.

Task Force Coordination

Mr. Miller. Thank you again for allowing me to participate in this. It is such a complex thing and we all want to move forward. But I am back to the question I asked earlier. Fortunately, under the WRDA, the Task Force that Rock Salt chairs is providing the coordination. Is that working to your perspective?

Ms. Beneke. I am chairing the Task Force and working very closely with Rock Salt, and from my perspective, it has been tremendously successful. I think it constitutes an unprecedented effort and an unprecedented process unlike anywhere else in the entire country.

Mr. Miller. You chair it?

Ms. Beneke. I am the Chair of the Task Force.

Mr. Miller. Okay, okay. And there are representatives of the Corps of Engineers, is that right? And BIA and Park Service?

Ms. Beneke. We have five cabinet-level departments with 14 Federal agencies involved.

Mr. Miller. Okay. Why are you the one chosen to be the----

Ms. Beneke. Well, by statute, the Secretary of the Interior is the designated chair of the Task Force and Secretary Babbitt asked me.

Restudy Authorization

Mr. Miller. What about the Corps of Engineers?

Ms. Beneke. Pardon me, they are not chairing, they are a member of the Task Force.

Mr. Miller. What are they responsible for? I thought you mentioned--for the water?

Ms. Beneke. By statute, they are responsible for doing the Restudy plan, the plan on how to re-plumb Florida. And that by statute, the Task Force is responsible for providing recommendations to the Secretary of the Army on that plan. So the Task Force has had a direct voice in the crafting of the Restudy plan.

Mr. Miller. This Restudy is due July 1, is that right?

Ms. Beneke. Correct.

Mr. Miller. What happens with that Restudy? Where does it go?

Ms. Beneke. It goes up to the Congress. It goes to the authorizing committees of the Congress and then there will be an effort to have the Restudy plan authorized by the Congress so that we can proceed with the first set of components for implementation.

Mr. Miller. Do you expect that to be a free-standing bill or it will be rolled into another WRDA bill?

Ms. Beneke. I believe that the Corps is contemplating putting it in the WRDA 2000 bill.

Mr. Miller. That is going through the process now?

Ms. Beneke. No, trying to have it put in.

Mr. Miller. In fact, it has already come out of subcommittee.

Ms. Beneke. That is WRDA 1999, isn't it?

Mr. Leary. It would be WRDA 2000.

Ms. Beneke. WRDA 2000, yes.

Mr. Miller. They don't always do one every year.

Ms. Beneke. I believe the Corps is anticipating that there will be a WRDA 2000 bill and this will be included in it.

Mr. Miller. And this will have the time lines and things in there for projected appropriations?

Ms. Beneke. It will have--I am not the foremost expert. We actually have somebody here from the Corps who could probably respond to these questions better than I, but it will have included in the package, as I understand it, a set of initial components for authorization. The goal is to have the entire plan authorized conceptually and then have a set of specific components for the first increment of the plan authorized so that the Corps can proceed. And, yes, the plan includes specific components in different stages and anticipated appropriations.

Mr. Miller. On what authorization are we proceeding now? Was it authorized what we are doing now?

Ms. Beneke. Yes. WRDA 1996.

Restudy and Water Allocations

Mr. Miller. WRDA 1996 provided for that. And maybe you have asked this question, Mr. Chairman, but there has been some concern from the environmental community that Restudy plan is being too heavily weighed towards urban water supply at the expense of natural areas. Would you respond to that?

Ms. Beneke. Yes, I would be happy to. Again, one of the positive things about the south Florida ecosystem is we are able to approach it by actually enlarging the water pie.

Because so much water is currently lost to tide, the Restudy plan contemplates recapturing that water, storing some 1.5 million acre feet of it. And so for that reason, the Corps, and we don't disagree, believes that we can enhance urban water supply while at the same time making tremendous strides in terms of restoring the Everglades.

Mr. Miller. What are the concerns of the environmental community? They have had some concerns. And I know in southwest Florida there is concern about taking the water and diverting it away from southwest Florida, which is not my district but my adjoining district. The environmental community is not jumping for joy on this, is that right? Or is it?

Ms. Beneke. Well, I do not really want to speak for the environmental community, but I do know that the Corps has received many comments from them. I am told that they are accommodating those comments. What I hear from the environmental community is essentially very positive about this overall.

1996 Farm Bill and Surplus Property Sales

Mr. Miller. I know they want to move forward, I just--let me, one thing that was in the 1996 Farm Bill, we put the \$200 million in in 1996 I believe. There was also a provision for surplus property sales. I happened to see an article in my local paper yesterday. They are getting ready to maybe sell a Federal building in Sarasota. We have a small Federal building going back to the 1930's and the article says that the money goes to the Everglades, which is interesting to me. They have kind of outgrown the building. It was too expensive. Where does that stand because that was extra money for land in that bill?

Mr. Leary. Yes, in the farm bill, what most everybody is focused on is the \$200 million that was provided to the Secretary to spend primarily on land acquisition. In addition to that, there was authorization for the sale of surplus Federal property in Florida and for those funds to be put into a separate Everglades restoration fund. We have been working very hard with all the different Federal agencies in the State to try to identify surplus properties and try to make them available for sale so that those proceeds could come forward to us. We have now identified a building, I believe it is in St. Petersburg, that is worth close to \$4 million. We will be realizing the benefit of those funds in that Everglades restoration account. And that will then be available to the Secretary of the Interior, similar to the \$200 million, to spend on ecosystem restoration purposes.

Mr. Regula. Mr. Miller, you may be interested, that authority was in our bill which you voted for as a member of this committee.

Mr. Miller. Okay. A small Federal building in Sarasota apparently is going to come up.

Mr. Leary. We are looking at several right now. We have several in the pipeline. We are hoping to actually get a substantial amount of money out of this in the years to come.

Overall Management and Dispute Resolution

Mr. Miller. Well, good. I think the concern that we have is

who is in charge and we have that problem not only with you all, but fortunately they have a task force that kind of pulls it together. I am not sure. Our problem is us somewhat.

Mr. Regula. I think you are absolutely right, and the GAO pointed this out rather clearly that we need a supreme court or the ``court of last resort'' to adjudicate these many conflicting interests. The study is not going to solve that problem. It may say, well, do this and do this. But in the implementation, inevitably there is going to be conflicting interest among the many competing needs. I think we have to think about perhaps helping to structure that based on the observations of GAO.

Mr. Miller. One question you had I remember last year also was who is going to control the water ultimately? You have the Water Management District, you have the Corps.

Mr. Regula. Good question.

Mr. Miller. I wish we got the answer last year.

Ms. Beneke. Well, statutorily as it stands now, it is the Water Management District and the Corps of Engineers.

Mr. Miller. And the Corps of Engineers.

Mr. Regula. So they have the spigots?

Ms. Beneke. Indeed, they do.

Mr. Regula. How do you know they are going to be sensitive to the ecosystem?

Ms. Beneke. Well, as I said, that is a very important issue. It is one we are working on. And I guess the other answer to that is they have been very open to working with us in the course of designing this Restudy. We think the Task Force has been extremely effective. Certainly at a bare minimum, we would anticipate the Task Force continuing on so that we are sure the resource agencies have a strong voice. But I think we need to look very hard at this issue and see if we need more than that.

Mr. Regula. We are too. And I was interested in Mr. Rezendes' view. Do you agree that the Department of Interior does not have an equal place at the table ultimately in making the decisions? I think this is what Ms. Beneke said.

Mr. Rezendes. Right, they are certainly part of the Task Force, but a lot of people are part of the Task Force and a lot of people have different agendas and different priorities and this gets back to the thrust of what we are trying to convey here today. We would like to see some way that all the key players who are ponying up the money here be able to have assurance that the money they put on the table will achieve the objectives that they set out to do. And if they don't, how are we going to resolve those conflicts? Right now, we have seen a couple of projects that had problems that weren't really resolved by the Task Force. We are not looking for the Interior to be the czar here to take over and decide, but they need some kind of mechanism here. Basically, how long do they discuss conflicts these before it goes up to the next level? A month, six months, a year? What kind of negotiated process? I mean something needs to happen here. We agree with that.

Dispute Resolution

Mr. Leary. Mr. Chairman, on the issue of dispute

resolution, we, of course, all agree that disputes need to be resolved as quickly as possible. The point we were trying to make, I think, in our response to the suggestion was simply this. We have seen recent disputes between the Miccosukee Tribe and the South Florida Water Management District.

Mr. Regula. Right.

Mr. Leary. Between the EPA and the State Department of Environmental Protection.

Mr. Regula. Right.

Mr. Leary. Between us and the Corps. Between Dade County and to pick an agency, the South Florida Water Management District. There are intra-State disputes of agencies that are going to be involved here. There are inter-Federal agency disputes. There are inter-governmental disputes. We find it difficult to envision all of those different sovereigns, all of those different levels of government, signing up to one uniform process that will resolve all types of disputes.

Mr. Regula. But without it, how do you get them resolved?

Mr. Leary. Well, we have in some cases for example, disputes between the Corps of Engineers and the Water Management District over the regulation of the water that are resolved pursuant to the Project Cooperation Agreements that they enter into for every project they enter. There are Memoranda of Agreement among agencies. For example, in Stormwater Treatment Area (STA) 1 East, for which this committee funded the land acquisition in the 1998 budget, we made sure, because we were the ones providing the \$46 million, that we entered into a memorandum of agreement with the Water Management District and the Corps of Engineers that said we are going to be at the table when it is designed and involved in the operation mechanisms, and we are hoping that that will be a model memorandum of agreement. But it is a memorandum of agreement among the agencies that are intimately affected. Some of those disputes are best resolved only by those agencies. There are some issues that are appropriate to go before the working group and the Task Force to resolve where all the different members of the Task Force may weigh in. But there are other disputes where that is not the case at all. And they are best handled between the two agencies that best----

Mr. Regula. What if they can't agree? There has to be a court of last resort. This is a complex project. And the competing interests are going to be significant because you have development, with a growing population on the East Coast, you have agriculture, and you have restoration and there is only so much water. I am getting down to basics here.

Ms. Beneke. If I could jump in for just a minute. From where I sit, the Task Force is not a bad model. It is not a bad model for resolving many disputes.

Mr. Regula. Should we give it greater authority?

Ms. Beneke. Well, it is something that we ought to look at. In fact, the Task Force has had many very notable successes in resolving interagency disputes. But to get into a binding kind of over-arching dispute resolution authority ends up presenting some pretty tricky issues of law, constitutionality and so forth because you have so many different sovereigns at so many different levels.

Mr. Rezendes. In no way are we saying binding authority. We

don't want to usurp anyone's legislative prerogatives here.

Mr. Regula. Okay.

Mr. Rezendes. But what we are saying is that there should be a meeting of the minds as to what the process you are going to use to resolve conflicts. That is different.

Mr. Regula. So you are saying there is no clarity built into the process?

Mr. Rezendes. Correct. Absolutely. In fact, we have run across two problems already in looking at two projects. These projects have experienced long delays and cost overruns that were not resolved by the Task Force. So, obviously, I think there are issues that when they were presented, the Task Force was unable to expeditiously resolve them.

Mr. Regula. How do you respond to that?

Ms. Beneke. I guess if I could add to that. Again, I think there is more process and more clarity in the South Florida ecosystem restoration effort than there is in most other places in the country because at least there we do have a task force. One of its missions is to try to resolve disputes. There is a forum, an interagency and multiple level of government forum, for people to get together and to actively work on these disputes. In other ecosystems in other areas of the country, every agency is off doing its own thing, potentially wearing blinders. So I think to me it is a little ironic that we get this critique, although, again, we welcome the review.

Mr. Regula. We are here to help you.

Ms. Beneke. We welcome the input. Right.

Mr. Regula. Adversarial.

Ms. Beneke. And I appreciate that. But it is a little ironic because we are doing more in Florida than we are I think almost anywhere else in the country.

Mr. Rezendes. We agree with that. And, in fact, I want to give them credit. I think this Task Force is unprecedented, and I think they have done more probably than most other water projects. However, this is probably the most complex, the largest water restoration effort the Federal Government has undertaken. So I think the standard goes up here in terms of this is not business as usual. This is something unprecedented, and we need to make sure we have the systems in place to effectively manage it because there are a lot of pitfalls here that could occur over the next 20 years as we try to build the system.

Ms. Beneke. Let me also say we welcome the input. We welcome the analysis. We welcome the suggestions because we all want to do this right. It is crucially important. It is a national or even a world treasure in terms of the resource we have there.

Mr. Regula. The stakes are high.

Ms. Beneke. And the stakes are very high.

critical ecosystem study initiative

Mr. Regula. A few questions. It is my understanding that in the development of the Fiscal 2000 budget, the request for the Critical Ecosystem Study Initiative, that is science, funded through the National Park Service was scaled back from a level of \$21 million to \$8 million, which is below the base of \$12

million. I would be interested in the rationale, and of course you speak for the Interior Department, as to why there is such a large difference between the actual and requested levels?

Ms. Beneke. I can briefly respond to that. I was under the impression that it had been scaled back from \$12 million to \$8 million. And, again, we in the administration are confronting exactly the same difficult budget allocations.

Mr. Regula. The agency request was for \$21 million and the Department put it back to \$8 million?

Ms. Beneke. Well, during the budget process, it was put back to \$8 million.

Mr. Regula. Right, I understand.

Ms. Beneke. And we are confronting the same difficult budget constraint issues that the Congress is. And all I can tell you is that in the final analysis, as the priorities were put together, the program was proposed for \$8 million. Of course, there is still an \$8.6 million request in the U.S. Geological Survey (USGS) budget. Other agencies are contributing science dollars toward this effort. You will not hear an argument from me, Mr. Chairman, that science is not important. It is crucial. It is crucial.

Mr. Regula. I think this is a classic example of what has been my concern with the proposed new State-side Land and Water Conservation Fund Program that is in the President's budget of \$200 million to go out and buy more land. And to get that \$200 million, we take the science from \$21 million to \$8 million. Now you all agree that this progress has great magnitude, great implications, a lot of long-term impacts on the State of Florida and on the people there. Science has to be number one. Why would we buy more land and not even have the science to take care of the land that we are talking about here? Don't you agree that science should be up-front?

Ms. Beneke. I agree that science is fundamental. There has been a tremendous amount of excellent work done in Florida and it is proving to be useful on a daily basis. It is evidenced throughout this Restudy plan, the work that the USGS and other science agencies have done in Florida has been very key to our efforts.

Mr. Regula. Perhaps, along with designing a better voice for the Secretary of the Interior in this process, this committee ought to respond to the science needs in the way in which we allocate our funding.

Ms. Beneke. We would be happy to work with you on that further, Mr. Chairman.

Mr. Regula. Let me say again that our only mission is to (1) make sure that the environmental goals are guaranteed, this is what Mr. Hinchey was talking about, guaranteed. That means I think we are a third of the equation at least. So we, therefore, deserve a place--"we" meaning Interior--deserves a place at the table. I think secondly we need to have a plan that is finally agreed on by everybody that at the end of 20 years and \$12 billion, we will have achieved the mission, which I think there is agreement on as much as possible. Although, obviously, the State has a different set of priorities than the Federal Government. Their priorities are agriculture and development, and I can understand that in a sense. Our priority is the restoration of an asset that we are responsible for in this subcommittee. These are

interesting challenges.

Do you have any further comment, Mr. Hinchey?

everglades restoration and decision-making

Mr. Hinchey. Well, just to continue what you were saying, I think to some extent, Mr. Chairman. The Everglades and the Everglades National Park are important to all Americans. And I think they are particularly important to all Floridians. I think it is an important part of their sense of belonging to a community and it is an important part of their imagination. And any project that labels itself restoration of the Everglades has got to, in fact, do that. And I am not convinced that this project does it adequately as it is currently envisioned and moving forward.

The Task Force, as I am beginning to understand, is a coordinating agency. It is not a decision-making agency. The decisions that are critically important in this arena are going to be made by two parties: the Army Corps of Engineers and the South Florida Water Management District. Now certainly they should be involved in it, but I am finding it very difficult to understand the reluctance of the Secretary to have the Department of the Interior involved in that decision-making process. And your answers to questions have been consciously incomplete, but I think it is important for us to understand where the Department is in this regard. And just speaking for myself, I think that it is critical that the Department be involved in the decision-making process because without the Department's involvement, the interest of the country in the Everglades National Park, and the interests of the citizens of Florida in the Everglades are not going to be adequately represented.

Ms. Beneke. If I could respond for a moment. If I have left the impression that the Secretary is reluctant to be involved in the decision-making, I would like to correct that.

Mr. Hinchey. That is the impression you have left with me, just speaking for myself.

Ms. Beneke. I am sorry that I have left that impression. He has been very actively and personally engaged in almost every decision relating to this ecosystem restoration effort, and I anticipate that Secretary Babbitt will continue to be.

Mr. Hinchey. I know that, that is why I am surprised at the answers we have gotten to some of the questions that we have asked here today.

Ms. Beneke. I guess if I have seemed evasive, I certainly don't mean to. I cannot give you the kind of specificity that perhaps you would like today in terms of exactly how we would craft the future role. We would like very much to have your input. We would like very much to work with you on it. We are not going to argue against having a role down the line in terms of decision-making on this. I think it is crucial that the resource agencies be heard. So I am sorry if I have left another impression.

Mr. Hinchey. Well, it is not clear. If you want to restore the Everglades, you have got to have a consistent flow of water in the Everglades. That I think is obvious even to someone like me. The plan that you are proposing I am not sure guarantees

that. And without the active involvement of someone who has that interest, the Army Corps doesn't have that interest. The Army Corps has their responsibilities. They carry them out very effectively and efficiently. The South Florida Water Management District has its areas of interest and responsibility. I am sure that they do it quite well. But the interest of restoring the Everglades and having that consistent flow of water in that area is not represented currently by anyone in this plan. And without the participation of the Secretary of the Interior or some language in the legislation, I don't see how it is going to happen; that is, that representation will not, in my judgment, occur absent those provisions.

Ms. Beneke. I don't know that I disagree with you on that.

Mr. Regula. Well, let me say and, of course, you have mentioned--you want to qualify?

Ms. Beneke. Colonel Salt is reminding me that I probably don't want to be on record agreeing that the Corps doesn't care about the environment. They have done----

Mr. Hinchey. I don't want to be on record if what I said was misinterpreted to mean that the Corps doesn't care about the environment, then I want to correct the record also.

Ms. Beneke. All right, good.

Mr. Hinchey. What I said was not that the Corps does not care about the environment, but that the Corps has its own responsibilities in a finite arena and they carry out those responsibilities carefully and efficiently. But that arena is finite.

Mr. Regula. And what we are really getting back to is you say there will be extra water?

Ms. Beneke. Yes, that is the goal of the plan.

Mr. Regula. And our mission would be to ensure that the restoration gets its fair share.

Ms. Beneke. Yes.

Mr. Regula. A guaranteed fair share that restoration will have the same high priority that development and agriculture has.

Ms. Beneke. And it is a goal we share with you, Mr. Chairman.

Mr. Regula. Yes, and I think we will try to craft some language to achieve that goal as part of a condition of additional funding because at the end of the day with the \$12 billion spent, we want all of these goals to be met in the best possible way and a guarantee that they will continue to be done long after we are off the scene. We are talking about something that is going to be in place here for decades. Am I correct?

Ms. Beneke. Indeed, you are.

Mr. Regula. We will be having further discussions with you as we move along on this. We would hope there will be continued GAO oversight and interest in this project because, as I said, we have no preconceived notions here nor adversarial positions. We just want to make it work, and we want to make sure the money meets the goals that will address the concerns of all America. It is a big job that we all share frankly.

Do you have any further comments?

analysis of gao cost estimate

Ms. Beneke. One issue that occurs to me is that I did not have an opportunity to address today the \$11 billion figure that I mentioned.

Mr. Regula. Yes.

Ms. Beneke. And if I could just have an opportunity to submit for the record our analysis of that figure.

Mr. Regula. Absolutely.

Ms. Beneke. We question that figure and would like to clarify it for the record.

Mr. Regula. Well, my experience with Federal projects is that they never go down from the estimates. That is just based on time.

[The information follows:]

Department of the Interior Analysis of GAO's Coast Estimate for
Everglades Restoration

In its April 1999 report entitled, ``South Florida Ecosystem Restoration: An Overall Strategic Plan and Decision-Making Process Needed to Keep the Effort On Track,`` the General Accounting Office (GAO) stated that the restoration effort ``could cost at least \$11 billion.`` The Department of the Interior questions the \$11 billion figure used by GAO and believes that it is premature to cite a total cost for the restoration effort at this time. The \$11 billion figure cited by GAO includes the following: (1) an initial Army Corps estimate of \$7.8 billion for projects contemplated, but not yet authorized or designed in detail, under the Restudy; (2) funding for already authorized State and Federal capital projects that were on-going prior to the Administration's efforts to improve overall planning and coordination of Federal efforts in the Everglades; and (3) Federal expenditures for routine expenditures in South Florida, including on-going management of parks, refuges and marine sanctuaries. Further, it is important to note that \$7.8 billion cited for projects contemplated by the Restudy is an initial cost estimate for costs of projects that are to be shared equally with the State of Florida over a significant number of years, perhaps as many as 30.

state and federal interest in everglades restoration

Mr. Leary. Mr. Chairman?

Mr. Regula. Yes?

Mr. Leary. While we are about the business of wrapping up and clarifying the record, I would like to make one additional point and that is I wouldn't want anyone to get the misimpression that this is the Federal Government that is only concerned about the natural environment and the State government concerned about the built environment. Probably at least half of the remaining Everglades is owned by the State of Florida and managed by the State of Florida. The State of Florida has in addition to its obvious concerns for its citizens----

Mr. Regula. Right.

Mr. Leary. It has its concern for the Everglades as well. What it will be seeking to do is striking that balance, and what we hope to be doing and through the Task Force doing is helping strike that balance.

Mr. Regula. Now will the State areas benefit from this

increased flow of water?

Mr. Leary. Absolutely, sir. I can show it to you there.

Mr. Regula. Yes, do that. Explain that a little bit, just in general in terms of what we have been talking about this morning?

Mr. Leary. It has been pointed out. Once you have seen it, you will always see it.

Ms. McDonald. You are going to steal Pooh Bear?

Mr. Leary. Yes, I am going to steal Pooh Bear. It has been pointed out to me once you see Pooh Bear, you always see it, with the head here being Lake Okechobee, the Everglades agricultural area being his Hawaiian shirt, and the water conservation areas being his legs and paws, okay.

Ms. McDonald. And I would like to point out that we pointed that out to the Interior. [Laughter.]

Mr. Leary. They did. The Everglades National Park is roughly this area of the historic Everglades. This is Big Cypress National Preserve. This is Biscayne National Park over here. The water conservation areas, which are these, are owned by the State of Florida. They are every bit as much of the Everglades as Everglades National Park is. This water conservation area here is owned by the State, but it is Loxahatchee National Wildlife Refuge. So this one has a dual Federal and State interest.

But anyway I just wanted to make clear that we, of course, are very interested in protecting our resources and we appreciate your support in that. But I just wanted to make clear that it isn't us against them.

Mr. Regula. Lake Okechobee is the spring, am I correct?

Mr. Leary. Actually, this system is largely rain driven, as I understand it. That is one of the things that makes the Everglades kind of unique in the world. But what we were talking about earlier, I think you were talking about this earlier with GAO, is the difficulty of restoring the water. And historically, if this table is the Everglades and this is Lake Okechobee up here and that is Florida Bay down there, it looks about as flat. Historically, this end was up much higher and there was a head of water that in-flowed and we can't replicate that head anymore. There has been a lot of subsidence here. And so, indeed, there will have to be manipulation of the water, but the goal of this is by removing a lot of these structures, capturing the water in large places so that throughout the year, it can be released to replicate the natural flow----

Mr. Regula. That would be the spigots?

Mr. Leary. Yes, the spigots and the removal of some of these levies so that the water again flows in the sheet flow that it historically did. And that is the goal here and the goal that Secretary Beneke was talking about. The 90 percent restoration goal here is to restore 90 percent of what naturally flowed here through Shark River Slough into Florida Bay.

Mr. Regula. Now does that water also percolate into the aquifer to support the development?

Mr. Leary. Oh yes, it does. Part of the problem that we have had in the past is not only does most of the water that falls in Florida evaporate, but we either lose it because it is deliberately sent to tide out the St. Lucie Estuary, or the

Caloosahatchee River, or it seeps out. A lot of that two million acre feet seeps out here into----

Mr. Regula. That feeds your aquifer?

Mr. Leary. But it is lost to the natural system. And so one of the primary projects, and one of the things this subcommittee had given us land acquisition money for, and why it is so important, is the East Coast Buffer Project, which is this little narrow strip here where we want to buy the remaining land. It is under a lot of development pressure. And be able to put water there to keep that seepage from occurring. That is just one of the projects under the Restudy.

Mr. Regula. Well, it will still occur, but you will just have more water there to allow the seepage. Or are you going to catch it, impound it?

Mr. Leary. Well, this water that is stored is going to serve multiple purposes. It will help with water supply, but it will also help keep the seepage from occurring so that the water here in the natural system stays there when we want it to be.

Mr. Regula. And there will be dams and pumps to try to have a continuous flow down through the Park?

Mr. Leary. As necessary to help replicate that sheet flow, yes.

Mr. Regula. Who will control this allocation of water? Who will really sit there with the spigot to say whether it stays in there to percolate or whether it is released to move down through the Everglades?

Mr. Leary. These projects are being designed by the Army Corps of Engineers and the South Florida Water Management District, with input from the Task Force on each of these features of the Restudy project to achieve those specific goals.

Mr. Regula. Well, it seems down the road, 25 years from now, the control of this will be extremely important because there is only going to be so much water and there are going to be more people and maybe more agriculture. Won't that control be a very key element? Do we need to ensure that it is balanced for the long-term?

Ms. Beneke. I think you are getting to the allocation issue, Mr. Chairman.

Mr. Regula. Right, right, I am.

Ms. Beneke. And I am only going to give you the same answer again, but I agree with you. It is extremely important.

Mr. Regula. I guess what we are trying to do is just make sure, as we appropriate this money, that we also build in the legal structures to ensure that the interests of all parties are given equal treatment for allocation.

Ms. Beneke. And that is something we are going to work on with you and with our State partners.

Mr. Regula. Do you have anything, Mr. Hinchey.

Mr. Hinchey. Just to restate it, Mr. Chairman. There is a very substantial national interest in this project demonstrated not least by the extraordinary amount of Federal money that will be applied to it. Therefore, it seems to me absolutely imperative that the Secretary of the Interior be a member of the decision-making entity that regulates the flow of water in order to make sure that the interests of Everglades National

Park are represented adequately.

Ms. McDonald. If I can add to that, I think where our strategic plan would be useful is the plan that we are calling for specifies quantifiable goals with performance measures attached to those so that everyone would know what this restoration effort is going to accomplish and how we are going to get there and then progress can be measured as we go along. The strategic plan that we are calling for would include those elements, and I think would assist in resolving some of the concerns that you have expressed today.

Mr. Hinchey. What is the Department's response to that recommendation for the strategic plan.

Mr. Rezendes. I can let them respond, but basically they said they have a lot of the process already underway and will implement this.

Mr. Hinchey. So they are saying the strategic plan is not necessary?

Mr. Rezendes. No, they are saying they will do it.

Mr. Hinchey. Oh, they will do it? Oh, okay. Yes, well, let's hear from you? We are not going to let you get off.

Ms. Beneke. Thank you, thank you, I would love to respond. Well, I think what I have said already is we feel we are doing a tremendous amount of planning already. We have defined goals. We have set out strategies. We are tracking progress and accomplishments already.

Mr. Hinchey. But how do you respond to the recommendation for the strategic plan?

Ms. Beneke. And we are currently working on a strategic plan much like the one GAO recommended.

Mr. Regula. ``We'' meaning everybody, all the players?

Ms. Beneke. ``We'' meaning the Task Force.

Mr. Regula. Okay.

Ms. Beneke. And we are going to look hard at GAO's recommendations and do whatever we can to use their recommendations and incorporate their work.

Mr. Hinchey. We will watch with great interest.

Ms. Beneke. Thank you.

Mr. Regula. Thank you and I think after we get the strategic plan, we may want to have you come back for follow-up. We all have a common goal: doing the best possible job with the money available and ensuring that 25 years or 50 years from now, the people that are affected don't feel that we didn't take our responsibility in making this happen.

Ms. Beneke. Thank you.

Mr. Regula. Thank you all for coming. It was a very constructive hearing and has given us all some things to think about.

The committee is adjourned.

[The following questions and answers were submitted for the record:]

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